

SETTLEMENT AND RELEASE OF CLAIMS AGREEMENT

This Agreement is entered into on August 24, 2005, by and among each of the Enron Parties, OMOI, each of the California Parties, and each of the Additional Claimants. Each of the Enron Parties, OMOI, the California Parties, and the Additional Claimants is a "Party," and collectively they are "Parties" to this Agreement. Unless otherwise expressly provided for herein, each capitalized term used in this Agreement shall have the meaning set forth for such term in Article 1 or as defined elsewhere in this Agreement.

RECITALS

A. *Whereas*, various of the Parties are engaged in or interested in complex and disputed regulatory proceedings, bankruptcy and adversary proceedings, appellate proceedings, litigation, and investigations regarding numerous issues and allegations arising from events in the California and western electricity and natural gas markets;

B. *Whereas*, certain of the Enron Parties are debtors in the Bankruptcy Cases;

C. *Whereas*, a number of the Settling Participants, the PX, and the ISO, have filed proofs of claim and alleged claims against the Enron Parties in the Bankruptcy Proceedings;

D. *Whereas*, the Parties have determined that it is preferable to settle the disputes addressed herein, rather than litigate;

E. *Whereas*, the Parties entered into a Memorandum of Understanding on July 15, 2005 ("Memorandum of Understanding"), under which they agreed to resolve their disputes and to further memorialize their settlement through this Agreement, which will, when fully executed, supersede in its entirety the Memorandum of Understanding; and

F. *Whereas*, this Agreement contemplates a comprehensive resolution of all disputes and other matters addressed herein (i) through the settlement of the regulatory proceedings, appellate proceedings, litigation, proofs of claim, and claims identified herein, and (ii) by effectuating the transactions, granting of rights and benefits, and assumption of obligations specified and provided for herein (such comprehensive resolution and such transactions are referred to herein collectively as the "Settlement").

Now, Therefore, in consideration of the mutual covenants and agreements, and other good and valuable consideration provided for herein, and subject to and upon the terms and conditions hereof, the Parties agree as follows:

AGREEMENT

1. DEFINITIONS

The following capitalized terms, which are in addition to other terms with initial capital letters defined in the body of this Agreement, when used in this Agreement, including the Exhibits hereto, shall have the meanings specified in this Article 1.

- 1.1 **"Additional Claimants"** means the Oregon Attorney General and the Washington Attorney General.
- 1.2 **"Aggregate Allowed Claim"** has the meaning set forth in Section 4.1.2.
- 1.3 **"Agreement"** means this Settlement and Release of Claims Agreement, including all Exhibits, as the same may be amended, modified, supplemented, or replaced from time to time.
- 1.4 **"Allocation Notice"** means a written notice, signed by each of the Settling Claimants, allocating the Aggregate Allowed Claim among themselves and/or to any initial transferee identified in the Allocation Notice, in a form reasonably acceptable to Enron that will enable Enron to comply with its record keeping, distribution, and other obligations under the terms of Section 4.4.1 hereof and accurately reflect on its internal records allocation of the civil penalty claim provided for in Section 4.1.3 of this Agreement.
- 1.5 **"APX"** means APX, Inc. (aka Automated Power Exchange, Inc.).
- 1.6 **"Assigned Assets"** means the Enron Receivables, Enron ISO Collateral, refunds, rights to refunds, surcharges, and other settlement consideration Enron conveys, assigns, or otherwise transfers to (i) the California Parties pursuant to, and as limited by, Sections 4.1.1, 4.1.4, 4.3, 4.3.1, 4.3.2, 4.3.3, 4.3.4, 4.3.5 and 4.5, and (ii) CERS pursuant to Sections 4.1.5 and 4.5, and as limited by Section 8.13.
- 1.7 **"Bankruptcy Cases"** means, collectively, the cases commenced under Chapter 11 of the Bankruptcy Code by the Enron Debtors and certain affiliates on or after the Initial Petition Date, styled In re Enron Corp. et al., Chapter 11 Case No. 01-16034 (AJG) Jointly Administered, pending before the Enron Bankruptcy Court.
- 1.8 **"Bankruptcy Code"** means Title 11 of the United States Code, as the same may be amended from time to time.
- 1.9 **"Bankruptcy Proceedings"** means, collectively, the Bankruptcy Cases and all related adversary proceedings, claims objection proceedings, and appeals pending before the Enron Bankruptcy Court and the United States District Court for the Southern District of New York
- 1.10 **"Bankruptcy Rule 9019 Motion"** has the meaning set forth in Section 10.2.

- 1.11 **"Business Day"** has the same meaning as provided in California Civil Code Section 9.
- 1.12 **"California Attorney General"** means the People of the State of California, *ex rel.* Bill Lockyer, Attorney General.
- 1.13 **"California Litigation Escrow"** has the meaning set forth in Section 6.1.
- 1.14 **"California Parties"** means, collectively, PG&E; SCE; SDG&E; the California Attorney General; CERS; CEOB; and the CPUC. The California Parties do not include any other California state entities.
- 1.15 **"Cash Amount"** has the meaning set forth in Section 4.1.1.
- 1.16 **"CEOB"** means California Electricity Oversight Board.
- 1.17 **"CERS"** means the California Department of Water Resources acting solely under authority and powers created by California Assembly Bill 1 from the First Extraordinary Session of 2000-2001, codified in Sections 80000 through 80270 of the California Water Code. CERS does not include the California Department of Water Resources with respect to the State Water Project.
- 1.18 **"CPUC"** means the California Public Utilities Commission. The CPUC does not represent the interests of any direct access or retail customer of Enron.
- 1.19 **"Deemed Distribution"** has the meaning set forth in Section 6.5.
- 1.20 **"Deemed Distribution Participant"** means the Market Participants listed in Exhibit C.
- 1.21 **"Emissions Offset"** means the claim for recovery of emissions costs incurred by a Market Participant's generating units during the refund period as adopted by FERC. *See, e.g., San Diego Gas & Elec. Co. v. Sellers, et al.*, 96 FERC ¶ 61,120 at 61,519 (Jul. 25, 2001) (adopting emissions cost adjustment to seller refund liabilities).
- 1.22 **"Enron"** or the **"Enron Parties"** means the Enron Debtors; the Enron Non-Debtor Gas Entities; and, solely for the purposes of Sections 8.7 and 8.10, the Enron Unsecured Creditors' Committee, which shall not be a Party for any other purpose.
- 1.23 **"Enron Bankruptcy Court"** means the court before which the Bankruptcy Cases are pending: United States Bankruptcy Court, Southern District of New York.
- 1.24 **"Enron Bankruptcy Court Order"** means the Enron Bankruptcy Court order granting the Required Approval with respect to the Bankruptcy Proceedings in accordance with Sections 10.1 and 10.1.2 regardless of whether such order or

orders are subject to appeal; provided that such order or orders have not been stayed pending such appeal.

- 1.25 **"Enron Debtors"** means Enron Corp.; Enron Power Marketing, Inc.; Enron North America Corp. (fka Enron Capital and Trade Resources Corp.); Enron Energy Marketing Corp; Enron Energy Services Inc.; Enron Energy Services North America, Inc.; Enron Capital & Trade Resources International Corp.; Enron Energy Services, LLC; Enron Energy Services Operations, Inc.; Enron Natural Gas Marketing Corp.; and ENA Upstream Company, LLC, all as debtors in possession (or reorganized debtors) on behalf of themselves and their respective estates. Enron Debtors shall not include any non-debtor entity (such as Portland General Electric Company) in which an Enron Debtor owns all or substantially all of the equity.
- 1.26 **"Enron ISO Collateral"** has the meaning set forth in Section 4.1.6.
- 1.27 **"Enron Non-Debtor Gas Entities"** means, collectively, Enron Canada Corp.; Enron Compression Services Company; and Enron MW, L.L.C.
- 1.28 **"Enron PX Collateral"** means the cash collateral and letter of credit proceeds held by the PX in Bank of New York segregated escrow sub-account Number 028269 identified to EPMI, including associated interest.
- 1.29 **"Enron Receivables"** has the meaning set forth in Section 4.3.
- 1.30 **"Enron Refund Escrow"** has the meaning set forth in Section 6.1.
- 1.31 **"Enron Refunds"** means the amounts determined by FERC in the FERC Refund Proceeding that Enron is required to pay to Market Participants.
- 1.32 **"Enron Unsecured Creditors' Committee"** means the Official Committee representing the unsecured creditors in the Bankruptcy Cases.
- 1.33 **"EPMI"** means Enron Power Marketing, Inc.
- 1.34 **"Execution Date"** means the date this Agreement has been executed by all Parties.
- 1.35 **"FERC"** means the Federal Energy Regulatory Commission.
- 1.36 **"FERC Interest Determination"** means the FERC order directing the payment of interest on receivables and refunds based on the ISO and PX settlement reruns and refund calculations, regardless of whether such order is subject to requests for rehearing or appeal; provided that such order has not been stayed pending such rehearing or appeal.
- 1.37 **"FERC Interest Rate"** shall have the meaning set forth in 18 C.F.R. § 35.19a(a)(2) or any successor thereto.

- 1.38 **"FERC Proceedings"** means the FERC Refund Proceeding, the Partnership/Gaming Proceeding, and the FERC proceedings in FERC Docket Nos. PA02-2 and IN03-10 and any related appeals and/or petitions for review and any proceedings on remand.
- 1.39 **"FERC Receivables Determination"** means the FERC order issued in the FERC Refund Proceeding which provides the Parties with sufficient information to establish the final amount of the Enron Receivables, regardless of whether such order is subject to requests for stay, rehearing or appeal, provided that such order has not been stayed.
- 1.40 **"FERC Refund Determination"** means the FERC order or orders establishing the amount of Enron Refunds owed to Non-Settling Participants, regardless of whether such order or orders are subject to requests for rehearing or appeals; provided that such order or orders have not been stayed pending such rehearing or appeal.
- 1.41 **"FERC Refund Proceeding"** means the FERC refund proceeding conducted before FERC in FERC Docket Nos. EL00-95 and EL00-98, and any related appeals and/or petitions for review and any proceedings on remand.
- 1.42 **"FERC Refund Proceeding Allocation Matrix"** means the matrix attached as Exhibit A that sets forth the various allocation percentages with respect to parties to the FERC Refund Proceeding that are eligible to receive refunds pursuant to this Agreement.
- 1.43 **"FERC Refund Related Proceedings"** means the proceedings in FERC Docket Nos. EL02-71, EL03-137 and the other dockets consolidated with that docket on June 25, 2003, EL03-180 and the other dockets consolidated with that docket on June 25, 2003, PA02-2, IN03-10, the FERC physical withholding investigation, and any related appeals and/or petitions for review and any proceedings on remand; provided, however, that reference to such proceedings shall not include the resolution of any of the Western Parties' termination payment issues, claims, or defenses.
- 1.44 **"FERC Settlement Order"** means the FERC order granting the Required Approval with respect to FERC, in accordance with Sections 10.1 and 10.1.1, regardless of whether such order is subject to requests for rehearing or appeals; provided that such order has not been stayed pending such rehearing or appeal.
- 1.45 **"Final Staff Report"** means the final report entitled "Final Report On Price Manipulation In Western Markets -- Fact Finding Investigation Of Potential Manipulation Of Electric And Natural Gas Prices" issued by FERC staff on March 26, 2003 in Docket No. PA02-2.
- 1.46 **"Fuel Cost Allowance"** means the claim for recovery of fuel costs incurred by generating units made pursuant to FERC orders in the FERC Refund Proceeding. *See, e.g. San Diego Gas & Elec. Co. v. Sellers*, 102 FERC ¶ 61,317 at PP 56-63

(Mar. 26, 2003); 103 FERC ¶ 61,078 (Apr. 22, 2003); 105 FERC ¶ 61,066 (Oct. 16, 2003); 107 FERC ¶ 61,166 (May 12, 2004); 108 FERC ¶ 61,219 (Sept. 2, 2004); 108 FERC ¶ 61,311 (Sept. 24, 2004); and 109 FERC ¶ 61,297 (Dec. 20, 2004).

- 1.47 **"Fuel or Emissions True-ups"** has the meaning set forth in Section 4.7.
- 1.48 **"Governmental Authority"** means any "governmental unit" as defined in Section 101 of the Bankruptcy Code.
- 1.49 **"Initial Petition Date"** means December 2, 2001, the date certain of the Enron Debtors filed petitions for relief under Chapter 11 of the Bankruptcy Code and commenced the Bankruptcy Cases in the Enron Bankruptcy Court.
- 1.50 **"Initial Staff Report"** means the Initial Report released by FERC staff on August 13, 2002, in connection with the FERC investigation in Docket No. PA02-2.
- 1.51 **"ISO"** means the California Independent System Operator Corporation, a California public benefit corporation.
- 1.52 **"Market Participants"** means, other than the ISO and PX themselves, those entities that were ISO scheduling coordinators or PX participants or otherwise directly sold energy to or purchased energy from the ISO and/or PX during part or all of the Settlement Period.
- 1.53 **"Memorandum of Understanding"** has the meaning set forth in Paragraph E of the Recitals.
- 1.54 **"Metering Error Allocation Matrix"** means the matrix attached as Exhibit B that sets forth the various allocation percentages with respect to certain portions of the Settlement Amount that are applicable to each entity identified therein for Enron's ISO metering errors in accordance with Section 6.9.
- 1.55 **"Non-Settling Participant"** means Market Participants other than the Enron Parties, the Settling Claimants and the Opt-In Participants.
- 1.56 **"OMOI"** means FERC's Office of Market Oversight and Investigations.
- 1.57 **"Opt-In Participants"** means Market Participants that have elected to join this settlement in accordance with Article 9.
- 1.58 **"Oregon Attorney General"** means the State of Oregon, Department of Justice, Office of the Attorney General, Hardy Myers, Attorney General.
- 1.59 **"Partnership/Gaming Proceeding"** means the consolidated proceedings conducted before FERC in FERC Docket Nos. EL03-180, EL03-154, EL02-114-007, EL02-115-008, and EL02-113 and any related appeals and/or petitions for review and any proceedings on remand.

- 1.60 **"Party"** and **"Parties"** have the meanings set forth in the preamble to this Agreement.
- 1.61 **"PG&E"** means Pacific Gas and Electric Company.
- 1.62 **"Plan"** means the Supplemental Modified Fifth Amended Joint Plan of Affiliated Debtors Pursuant to Chapter 11 of the Bankruptcy Code confirmed by the Enron Bankruptcy Court on or about July 15, 2004, in the Bankruptcy Cases as it may be amended, modified, or supplemented from time to time in accordance with the terms thereof.
- 1.63 **"Post-January 17, 2001 Period"** means the period January 18, 2001 through June 20, 2001, but not any period included in the Pre-January 18, 2001 Period.
- 1.64 **"Pre-January 18, 2001 Period"** means the period October 2, 2000 through January 17, 2001. When applied to PX transactions, the Pre-January 18, 2000 period means the period October 2, 2000 through January 31, 2001.
- 1.65 **"Pre-October Period"** means the period May 1, 2000 through October 1, 2000.
- 1.66 **"Proofs of Claim"** has the meaning set forth in Section 8.6. The Proofs of Claim are listed in Exhibit D.
- 1.67 **"PX"** means the California Power Exchange Corporation, a California public benefit corporation.
- 1.68 **"PX Settlement Clearing Account"** means any and all accounts of the PX or the reorganized PX holding funds in trust pursuant to the terms of the PX Tariff, ISO Tariff, or a court order. The PX Settlement Clearing Account does not include collateral and funds held for payment of chargeback entitlements, which are maintained in segregated accounts, as those terms are defined in the PX's First Amended Chapter 11 Plan.
- 1.69 **"PX Wind-Up Charges"** means the charges payable under FERC's orders in FERC Docket Nos. ER05-167, ER02-2234, ER03-139, ER03-791, ER04-111, and ER04-785 or such other charges that the PX may seek from its Market Participants and that are put into effect through acceptance by FERC of a PX tariff.
- 1.70 **"Remaining Enron Receivables"** has the meaning set forth in Section 4.3.1.
- 1.71 **"Required Approval"** and **"Required Approvals"** means the approvals set forth in Article 10.
- 1.72 **"Revocation Proceeding"** means the proceeding before FERC in FERC Docket Nos. EL03-77 and RP03-311 and any related appeals and/or petitions for review and any proceedings on remand.

- 1.73 **"SCE"** means Southern California Edison Company.
- 1.74 **"Scheduled Liabilities"** has the meaning set forth in Section 8.6.
- 1.75 **"SDG&E"** means San Diego Gas & Electric Company.
- 1.76 **"Section 4.1.4 Refund"** has the meaning set forth in Section 4.6.
- 1.77 **"Settlement"** has the meaning set forth in Paragraph F of the Recitals.
- 1.78 **"Settlement Amount"** has the meaning set forth in Section 4.1.
- 1.79 **"Settlement Effective Date"** has the meaning set forth in Section 2.4.
- 1.80 **"Settlement Period"** means the period January 16, 1997 through June 25, 2003. This is the time period set by FERC in its order directing an administrative law judge to determine the total amount of disgorgement of profits by Enron for its wholesale power sales in the western interconnect for violations of tariffs on file or orders of FERC. *El Paso Elec. Co.*, 108 FERC ¶ 61,071 (Jul. 22, 2004).
- 1.81 **"Settling Claimants"** means the Additional Claimants and the California Parties.
- 1.82 **"Settling Participants"** means the Settling Claimants and the Opt-In Participants.
- 1.83 **"Stayed Proceedings"** means the proceedings listed in Exhibit E.
- 1.84 **"Unsettled Enron Refund Amount"** has the meaning set forth in Section 7.1.3.
- 1.85 **"Unsettled Participant Refund Amount"** has the meaning set forth in Section 7.2.
- 1.86 **"Washington Attorney General"** means the Washington State Office of the Attorney General, Rob McKenna, Attorney General.
- 1.87 **"Western Parties"** means all or any of: Nevada Power Company; Sierra Pacific Power Company; Public Utility District No. 1 of Snohomish County, Washington; Valley Electric Association, Inc.; the City of Santa Clara, California d/b/a Silicon Valley Power; and the Metropolitan Water District of Southern California.
- 1.88 **"Williams, Dynegy, Duke, and Mirant Settlements"** means the settlements among certain sellers involved in the FERC Refund Proceeding, the California Parties, OMOI, and others, which were approved by FERC in orders reported at 108 FERC ¶ 61,002 (Jul. 2, 2004) (Williams); 109 FERC ¶ 61,071 (Oct. 25, 2004) (Dynegy); 109 FERC ¶ 61,257 (Dec. 7, 2004) (Duke); and 111 FERC ¶ 61,017 (Apr. 13, 2005) (Mirant).

2. CONDITIONS TO EFFECTIVENESS; SETTLEMENT EFFECTIVE DATE; TERMINATION

- 2.1 Agreement Binding on Execution Date.** Except (i) as provided in Section 2.3, and (ii) as to OMOI, whose obligations under this Agreement shall not be effective until the issuance of the FERC Settlement Order, this Agreement shall be a binding obligation of each Party immediately upon the Execution Date.
- 2.2 Opt-In Participant.** Each Opt-In Participant shall be bound by all of the provisions of this Agreement as of the time set forth in Article 9.
- 2.3 Conditions Precedent to Certain Obligations.** It is a condition precedent to (i) the obligation of a Party to make payments, assign receivables, assume liabilities, or release claims hereunder, and (ii) the effectiveness of all releases and the withdrawals of claims and defenses specified hereunder, that the Settlement Effective Date has occurred. It shall be a further condition to the effectiveness of the Settlement that the FERC Settlement Order is, as issued by FERC, properly deemed in accordance with Section 10.1.1 an order finding and concluding, without an express specific finding to the contrary, that (a) the monetary and other consideration provided by Enron in accordance with Articles 4 and 5 herein shall fully resolve and be in final satisfaction of any and all remedies for any and all liabilities of any of the Enron Parties to, and shall be deemed to be disgorged in favor of, the Settling Claimants and all Opt-In Participants in any of the dockets that comprise the Partnership/Gaming Proceeding, save and except those asserted by the Western Parties in connection with any of the termination payment claims and/or defenses, (b) any monetary remedy that FERC may determine to award in the Partnership/Gaming Proceeding, if any, to any Non-Settling Participant shall not exceed the share allocable to that party, as determined under the allocation methodology adopted by FERC, of any profits, if any, Enron may be finally required and ordered to disgorge, including, for any of the Western Parties, pursuant to any final order with respect to contract termination payments owed by the Western Parties, and (c) all pleadings, testimony, and related exhibits of Settling Claimants and all additional requests of Settling Claimants for relief filed with FERC in the Partnership/Gaming Proceeding shall be withdrawn with prejudice to the right of refile same.
- 2.4 Settlement Effective Date.** The "Settlement Effective Date" shall occur on the latest of the dates that the Required Approvals (as defined in Section 10.1) have been entered, issued, or otherwise obtained and are in full force and effect and not then stayed, notwithstanding that a request for stay, rehearing, or appeal may then be pending.
- 2.5 Termination.** If the Settlement Effective Date has not yet occurred, and unless otherwise agreed to by the Parties in writing, this Agreement shall terminate if any of the following occur: (i) FERC issues an order denying approval of the Agreement in whole or in part; (ii) the CPUC advises the other Parties in writing that it will not enter into this Agreement, or if CPUC approval of this Agreement

is requested through an appropriate application, the CPUC issues an order that has become final and is no longer subject to appeal that disapproves Agreement in whole or in material part or grants approval of the Settlement or this Agreement conditioned on a material change or condition unacceptable to any Party; (iii) the Enron Bankruptcy Court issues an order denying approval of the Settlement or this Agreement in whole or in part; or (iv) the Settlement Effective Date has not occurred by August 21, 2006.

- 2.6 **Effect of Termination.** In the event of termination pursuant to Section 2.5, this Agreement, except for the provisions set forth in this Section 2.6 and in Sections 10.4, 12.3, 12.4, 12.5, 12.6, 13.4, and 13.5 shall be null and void and of no further force or effect, with all rights, claims, defenses, duties, and obligations of the Parties thereafter restored as if the Agreement had never been executed.

3. SETTLEMENT AND ACKNOWLEDGMENT

- 3.1 **Acknowledgement of Compromise.** The payments and other consideration called for in this Agreement, along with the covenants and obligations set forth in this Agreement, settle and compromise the Settling Participants' claims in the releases set forth in this Agreement.

4. MONETARY CONSIDERATION PROVIDED BY THE ENRON PARTIES

- 4.1 **Settlement Amount.** The Enron Parties shall provide certain monetary settlement consideration (hereafter the "Settlement Amount"), which shall be comprised of the following:
- 4.1.1 **Cash Amount Up To \$25,000,000.** The PX holds, in the PX Settlement Clearing Account, certain undistributed funds relating to transactions in the markets of the PX and the ISO (other than with respect to the Enron PX Collateral). In accordance with Section 4.5, Enron shall assign to the California Parties its right, title, and interest in the first \$25,000,000 of such funds to be distributed from the PX Settlement Clearing Account, a cash amount up to and not to exceed \$25,000,000 ("Cash Amount"). Any of Enron's right, title, and interest in such undistributed funds in excess of the Cash Amount will accrue to the benefit of Enron as set forth in Sections 4.3, 4.3.1, 4.3.2, 4.3.3, and 4.3.4.
- 4.1.2 **Unsecured Claim of \$875,000,000.** An allowed Class 6 unsecured claim pursuant to the Plan in the aggregate, fixed, liquidated amount of \$875,000,000 against EPMI in favor of the Settling Claimants, without offset, defense or reduction on account of any claim or counterclaim the Enron Debtors have or may have against any of the Settling Claimants (the "Aggregate Allowed Claim"). Subject to compliance with Section 4.4.1, the Enron Debtors agree that the Aggregate Allowed Claim will be allocated to the individual Settling Claimants or their designated initial transferee set forth in the Allocation Notice and the Enron Debtors will

fully cooperate in making such allocation and will make the appropriate recordation of the allocation and will execute and deliver any documents necessary to facilitate distributions on account of the allocated interests under the Plan to the individual Settling Claimants or their designated initial transferee. Those Settling Claimants who did not timely file a Proof of Claim are recovering under the claims set forth in Exhibit D and the distributions on account of the allocation to a Settling Claimant as set forth in the Allocation Notice shall be made directly to each Settling Claimant in accordance with the Allocation Notice, without regard to whether the Settling Claimant filed a timely proof of claim.

- 4.1.3 **Civil Penalty Claim of \$600,000,000.** An allowed subordinated Class 380 penalty claim pursuant to the Plan in the aggregate amount of \$600,000,000 in favor of, collectively, the California Attorney General, CPUC, CEOB, the Oregon Attorney General, and the Washington Attorney General. The allocation of this civil penalty claim shall be as set forth in the Allocation Notice.
- 4.1.4 **Refunds from Other Sellers (Excluding CERS).** In accordance with Section 4.5, any refunds or rights to refunds that Enron has received or hereafter receives from other entities in the FERC Refund Proceeding or FERC Refund Related Proceedings, excluding CERS, whether arising as a result of settlements with other sellers or otherwise, plus interest to be applied in accordance with Section 6.6, but without reduction for any Fuel Cost Allowance or Emissions Offset, shall be assigned to the California Parties. Such amounts shall be paid by an entity other than Enron (e.g. the ISO, PX, or the escrow accounts established in the Williams, Duke, Dynegy and Mirant Settlements) into the Enron Refund Escrow unless such refund amounts and/or associated interest are paid to Enron, in which case Enron shall, as soon as practicable after receiving payment, transfer such amounts to the Enron Refund Escrow; provided however, that notwithstanding anything to the contrary stated in the foregoing, subject to Sections 4.1.5 and 4.3.3, any and all amounts owed to any of the Enron Parties by APX as refunds or otherwise as a result of transactions in which APX acted as scheduling coordinator for Enron are reserved and retained by Enron and not impaired in any manner by this Agreement. The FERC Settlement Order shall be deemed to find, unless FERC expressly states otherwise in the FERC Settlement Order, that, if Enron becomes an opt-in participant in any of the Williams, Dynegy, Duke and Mirant Settlements, Enron shall not be a deemed distribution participant as that term is defined in those settlements.
- 4.1.5 **CERS Refunds.** Subject to and in accordance with Section 4.5, any claim of Enron for refunds resulting from any mitigation of sales by CERS of imbalance energy into the ISO real time market, as well any interest, surcharges, other charges, or payments associated with such sales, that may be payable pursuant to FERC's May 12, 2004 Order on Requests for

Rehearing and Clarification in Docket Nos. EL00-95-087 and EL00-98-074 and subsequent orders, and all of Enron's right, title, and interest in and to any such refunds, interest, surcharges, other charges, and payments that are either directly or indirectly through others allocated to Enron, shall be assigned to CERS in accordance with Section 8.13.

4.1.6 **Enron ISO Collateral.** The ISO holds Enron funds relating to certain meter reading claims against Enron, and associated interest thereon (together "Enron ISO Collateral"). As of July 1, 2005, the Enron ISO Collateral totaled approximately \$22,400,000. In accordance with Section 6.9, the entirety of the Enron ISO Collateral shall be distributed by the ISO to Market Participants.

4.2 **PX Wind-Up Charges.** Enron's share of historical and future PX Wind-Up Charges as determined in any global settlement reached in FERC Docket Nos. ER02-2234, *et al.*, ER03-139, *et al.*, ER03-791, *et al.*, ER04-111, *et al.*, ER04-785, *et al.*, ER05-167, *et al.*, ER05-910, *et al.*, and ID-4066-0000, and as otherwise established by future PX tariffs accepted by FERC shall be an allowed administrative expense claim paid in cash under Sections 503(b) and 507 of the Bankruptcy Code without the need to file a request for payment under Section 503 of the Bankruptcy Code. The amount Enron is required to pay for its share of the PX Wind-Up Charges shall be determined by FERC, but shall not exceed \$1,000,000.

4.3 **Assignment and Payment of the Cash Amount.** As of the date of the Memorandum of Understanding, the Parties estimated that, after the ISO Amendment 51 preparatory rerun, but before interest and any adjustment for refunds in the FERC Refund Proceedings, Enron has unpaid receivables in the PX Settlement Clearing Account exceeding \$40,000,000 for transactions in or through the PX and ISO during the period January 1, 2000 through June 20, 2001 ("Enron Receivables"). Settling Claimants and the Enron Parties subsequently have exchanged information between themselves and ISO and PX, have jointly examined and reviewed such information, and based upon that exchange and review all of the Parties now revise the minimum estimate to be an amount exceeding \$27,000,000 when taking into consideration a soft cap adjustment of approximately \$18,000,000. Effective as of the Settlement Effective Date, the Enron Parties hereby assign, sell, transfer, convey, and deliver any and all of Enron's right, title, and interest in or to the Enron Receivables to the California Parties up to the Cash Amount as set forth in Sections 4.3.1, 4.3.2, 4.3.3, and 4.3.4.

4.3.1 **Initial Payment of \$15,000,000.** The amount of \$15,000,000 from the Enron Receivables shall be released from the PX Settlement Clearing Account within ten (10) Business Days after the Settlement Effective Date and paid by the PX to the Enron Refund Escrow account (to be established pursuant to Section 6.1). This payment shall be in partial satisfaction of the Enron Debtors' obligation to pay the Cash Amount, such that, after

this payment, the balance of the Cash Amount due and owing will be \$10,000,000. The amount of Enron Receivables remaining unpaid to Enron, plus Enron's share of net interest calculated in accordance with Section 6.6, after deducting the \$15,000,000 paid pursuant to this Section 4.3.1, but without reduction for any refunds payable to Settling Claimants or Non-Settling Participants or for other payments to Non-Settling Participants, shall be referred to as the "Remaining Enron Receivables."

- 4.3.2 Subsequent Payments.** At such time as the amount of the Remaining Enron Receivables is finally determined by or pursuant to the FERC Receivables Determination, such Remaining Enron Receivables shall be distributed as follows within twenty (20) Business Days following such determination:
- (i) If the amount of the Remaining Enron Receivables is negative, the reimbursement to the PX or ISO shall be the responsibility of Enron and Enron shall have no further obligation to the California Parties for the Cash Amount.
 - (ii) If the amount of the Remaining Enron Receivables is greater than zero but less than or equal to \$10,000,000, the California Parties will be paid the full amount of the Remaining Enron Receivables, and Enron shall have no further obligation to the California Parties for the Cash Amount. Such amount of Remaining Enron Receivables shall be transferred from the PX or ISO to the Enron Refund Escrow.
 - (iii) If the amount of the Remaining Enron Receivables is greater than \$10,000,000, then \$10,000,000 will be paid to the California Parties by way of a transfer from the PX or the ISO to the Enron Refund Escrow and Enron shall have no further obligation to the California Parties for the Cash Amount. The additional Remaining Enron Receivables after the \$10,000,000 transfer to the Enron Refund Escrow will be transferred from the PX or ISO to Enron.
- 4.3.3 Early Distribution of Enron Receivables.** In the event the ISO or PX distributes to Enron any part of the Enron Receivables subsequent to July 15, 2005 and prior to the final distribution of funds pursuant to Section 4.3.2 (including distributions occurring prior to the Settlement Effective Date), the Enron Party receiving such Enron Receivables shall within fifteen (15) Business Days (or, in the case of such distributions prior to the Settlement Effective Date, within fifteen (15) Business Days after the Settlement Effective Date) transfer an equal amount, plus associated interest at the FERC Interest Rate, to the Enron Refund Escrow or such other escrow as the California Parties may designate. The obligation of Enron under the preceding sentence shall be entitled to treatment in the Bankruptcy Cases as an allowed administrative expense claim under

Section 503(b) of the Bankruptcy Code without the need to file a request for payment under Section 503(a) of the Bankruptcy Code.

Notwithstanding the first sentence in this Section 4.3.3, in no event shall the amount transferred to the Enron Refund Escrow pursuant to this Section exceed the Cash Amount except that in the event that APX has not opted into a settlement between the California Parties and a seller (including the Williams, Dynegy, Duke, and Mirant Settlements), and if such failure to opt-in results in Enron receiving more refunds paid directly or indirectly by the California Parties than if APX had opted in, such additional refunds allocable to Enron due to such opt-in failure, subject to the rights of CERS under Section 4.1.5, will be assigned to the California Parties and transferred to the Enron Refund Escrow.

4.3.4 Claims Against the Enron Receivables. Pending payment of the Enron Receivables and Remaining Enron Receivables into the Enron Refund Escrow, up to the Cash Amount in the aggregate, Enron affirms that no other party has and that it shall not grant any competing right, lien, claim, encumbrance, title, or interests of any kind therein and no party or parties shall have the right or authority to obtain or acquire any such right, lien, claim, encumbrance, title, or interests of any kind therein other than the California Parties; provided that notwithstanding any other provision in this Agreement that may be construed to the contrary, Enron reserves and retains its right to the Remaining Enron Receivables above the Cash Amount.

4.3.5 Cooperation. The Parties shall cooperate with each other in providing the data and information necessary to implement this Section 4.3.

4.4 Provisions Regarding the Payment of the Aggregate Allowed Claim.

4.4.1 Allocation of the Aggregate Allowed Claim. The Aggregate Allowed Claim will be allocated to the individual Settling Claimants and their transferees, if any, as set forth in the Allocation Notice, which shall be provided to Enron by the Settling Claimants no later than ten (10) Business Days after the Settlement Effective Date. Upon receipt of the Allocation Notice, the Enron Debtors will promptly and fully cooperate with the Settling Claimants in making such allocation and shall promptly take, or cause to be taken, all action that is required to ensure that all distributions made under the Plan on account of the Aggregate Allowed Claim are made to the holders of such claim in accordance and consistent with the Allocation Notice. Upon receipt of the Allocation Notice, Enron further agrees that it will execute and deliver, or cause to be executed and delivered, all instruments, certificates, and other documents and agreements as may be necessary to facilitate distributions on account of the Aggregate Allowed Claim under the Plan in accordance with such Allocation Notice. No action other than transmittal to Enron of the Allocation Notice and entry of the Enron Bankruptcy Court Order shall be

required on the part of the Settling Claimants or any other party to satisfy the requirements of Federal Rule of Bankruptcy Procedure 3001(e) with respect to allocation of the Aggregate Allowed Claim to the Settling Claimants and/or any initial transferee designated in the Allocation Notice. Provided Enron has received the Allocation Notice and any other documentation reasonably required for distributions under the Plan, if the Settlement Effective Date occurs (i) on or before February 15, 2006, Enron shall cause the first distribution on the Aggregate Allowed Claim to occur in April 2006, and (ii) after February 15, 2006, Enron shall cause the first distribution to occur on the next distribution date after April 2006 in accordance with the Plan. The Settling Claimants agree that they and their transferees will fully cooperate with the Enron Debtors in facilitating the allocation or distribution of the Aggregate Allowed Claim, including the execution of stipulations to allow, in whole or in part, reduce, or expunge claims, as appropriate, in accordance with the last sentence of Section 4.1.2.

4.4.2 Ability to Transfer Portions of the Allocated Allowed Claim.

Notwithstanding anything to the contrary contained herein, following the allocation to a Settling Claimant or its transferee of an interest in the Aggregate Allowed Claim, in compliance with Section 4.4.1 above, such Settling Claimant or transferee shall be free to sell, assign, convey, or otherwise transfer all or any portion of its allocated share of the Aggregate Allowed Claim to any other person or entity. Such transfers will be made, subject to any requirements that may be imposed thereon by Federal Rule of Bankruptcy Procedure 3001(e) and other applicable law.

4.4.3 Distributions of Stock to Governmental Authorities. Enron agrees that any Governmental Authority entitled to a distribution of stock on its allocable share of the Aggregate Allowed Claim may, upon written notice to Enron as provided herein, direct Enron to take such steps, and Enron shall take such steps, as may be necessary to cause such stock distributions to, until further written notice, instead be made to a stock transfer agent identified by the Governmental Authority in its written notice to Enron for prompt sale by the identified transfer agent for the account of the Governmental Authority.

4.5 Transfer of Assigned Assets. Effective as of the Settlement Effective Date and without any further action by any of the Parties, Enron hereby conveys, assigns, and transfers the Assigned Assets described in Sections 4.1.1, 4.1.4, and 4.3 of this Agreement to the California Parties, subject to Enron's rights described in Section 4.3.4, and the Assigned Assets described in Section 4.1.5 of this Agreement to CERS, free and clear of all liens, claims, encumbrances, and interests of any kind whatsoever arising or created at any time prior to the Settlement Effective Date in accordance with Section 363(f) of the Bankruptcy Code and these assigned interests in the Assigned Assets shall be automatically perfected by the Enron Bankruptcy Court Order.

- 4.6 **Responsibility for Fuel Cost Allowances and Emissions Offsets.** This Agreement shall not affect, impair, or enhance Enron's obligation for, and Enron shall remain responsible for paying, any Fuel Cost Allowance or Emissions Offset costs allocated to it on account of fuel usage or emissions costs of suppliers other than Enron. In accordance with and as limited by this Section, Enron agrees to indemnify the California Parties for reductions in the receipt of refunds assigned to the California Parties pursuant to Section 4.1.4 (hereinafter "Section 4.1.4 Refunds") that result from allocations to Enron of Fuel Cost Allowances and Emissions Offsets. If, and to the extent that, any Section 4.1.4 Refunds paid to the Enron Refund Escrow are reduced by Fuel Cost Allowances or Emissions Offsets allocated to Enron, Enron shall pay to the California Parties, as an allowed administrative expense claim under Sections 503(b) and 507 of the Bankruptcy Code without the need to file a request for payment under Section 503(a) of the Bankruptcy Code, the amount by which such Fuel Cost Allowances or Emissions Offsets reduced the Section 4.1.4 Refunds; provided, however, that the amount of such allowed administrative expense claim shall not exceed the aggregate amount of \$8,000,000. Such payments by Enron to the California Parties shall be made to the Enron Refund Escrow and shall be paid on the same day or days that any Section 4.1.4 Refund that gives rise to the payment obligation in this Section is paid into the Enron Refund Escrow. In no case will the California Parties be required to pay any Fuel Cost Allowances or Emissions Offsets allocated to Enron.
- 4.7 **True-ups of Fuel Cost Allowances and Emissions Offsets.** The Williams, Dynegy, Duke, and Mirant Settlements provide, and future settlements may provide, that the allocation of Fuel Cost Allowances and Emissions Offsets among market participants that opt-in to such settlements is subject to true-up based on future FERC orders regarding the allocation of such costs ("Fuel or Emissions True-ups"). If a Fuel or Emissions True-up reduces Enron's obligation to pay Fuel Cost Allowances or Emissions Offsets associated with a Section 4.1.4 Refund reduction to an amount that is less than Enron had previously paid pursuant to Section 4.6 in connection with such Section 4.1.4 Refund reduction Enron shall be entitled to the proceeds of such Fuel or Emissions True-up with no obligation to assign such proceeds to the California Parties, provided that, if such amount has been paid to the California Parties, it shall be repaid to Enron by the California Parties. If a Fuel or Emissions True-up increases Enron's obligation to pay Fuel Cost Allowances or Emissions Offsets associated with a Section 4.1.4 Refund reduction to an amount that is greater than Enron had previously paid pursuant to Section 4.6 in connection with such Section 4.1.4 Refund, Enron shall be responsible for paying to the California Parties, as part of the allowed administrative expense claim set forth in Section 4.6, up to the total aggregate amount set forth therein of \$8,000,000, (i) any reduction in Section 4.1.4 Refund amounts resulting from such Fuel or Emissions True-up, or (ii) any amount of Fuel Cost Allowances or Emissions Offsets that, due to such Fuel or Emissions True-up, are allocated to Enron but which the California Parties are required to pay.

5. ENRON'S NON-MONETARY CONSIDERATION

5.1 Enron Cooperation with Respect to Claims Against Other Entities. For a period of two years following the Settlement Effective Date, to the extent reasonably practicable and consistent with and within the constraints of the bankruptcy and liquidation of Enron, the Enron Parties will cooperate with the Settling Claimants in the Settling Claimants pursuit of claims against entities other than Enron and Enron's affiliates relating to events in the western energy markets or relating to third-party participation in alleged Enron financial misconduct during the Settlement Period by making available to the Settling Claimants, at their expense, such information and documents as Settling Claimants may specify that are (i) relevant to such claims, (ii) in Enron's possession or control, and (iii) not proprietary or privileged or prohibited by any court order or other agreement, except that Enron Parties' duty of cooperation with the California Attorney General imposed by this Agreement shall not be limited by the terms of any other agreement. During such period, Enron shall also make available to the Settling Claimants witnesses, if any, with knowledge of such information, to the extent the Enron Parties are able to make such witnesses available. OMOI shall be permitted to attend and ask questions at any such interview or deposition, and, at its request, shall be provided with copies of any written information provided through such cooperative efforts.

5.2 ISO and PX Information. The Enron Parties authorize the ISO and PX to provide to the California Parties on or after the Execution Date any additional information, materials, or data that would otherwise be available to one or more of the Enron Parties and that are related to Enron's sales and purchases in the ISO and/or PX markets; provided, that except as otherwise provided by applicable law, each of the California Parties agrees that it shall maintain such information in confidence and shall not disclose it to third parties other than to (i) its employees, lenders, counsel, accountants, advisors, or consultants who have a need to know such information for purposes of implementing or administering this Agreement (including the determination or allocation of the settlement proceeds) and who have agreed to keep such information confidential, or (ii) OMOI, which shall treat any such information so provided as privileged pursuant to 18 C.F.R. § 388.112(c) and shall place such information in a non-public file, or (iii) FERC or a court to the extent necessary to implement this Agreement or to pursue claims against entities other than Enron and Enron's affiliates relating to the Settlement Period.

6. DISPOSITION AND ALLOCATION OF SETTLEMENT PROCEEDS AND OTHER MONETARY CONSIDERATION

6.1 Escrow Accounts. No later than ten (10) Business Days after the Settlement Effective Date, the California Parties shall establish an escrow account (the "Enron Refund Escrow") for the purpose of receiving, holding and transferring the Enron Receivables and other Assigned Assets to the extent provided for herein. The California Parties shall also establish a separate escrow account (the

"California Litigation Escrow") for the purpose of receiving, holding and transferring such portion of the Assigned Assets that may be required or permitted herein to be transferred to the California Litigation Escrow as the California Parties may agree upon among themselves. The costs of creating and maintaining the Enron Refund Escrow, the California Litigation Escrow, and any other escrow accounts created in connection with this Agreement shall be the responsibility of the California Parties. In the event that both the Enron Refund Escrow and the California Litigation Escrow are not available to begin receiving funds ten (10) Business Days after the Settlement Effective Date, then all time periods provided in this Agreement for the payment of funds that include payments to or from the Enron Refund Escrow or the California Litigation Escrow shall be extended by the number of days between the tenth (10th) Business Day after the Settlement Effective Date and the date on which both the Enron Refund Escrow and the California Litigation Escrow are available to begin receiving funds.

6.2 Transfer and Disposition of Enron Receivables; Other Transfers.

- 6.2.1 Notice to the ISO and the PX.** No later than six (6) Business Days after the Settlement Effective Date, the California Parties will advise the ISO and the PX that \$15,000,000 of the Enron Receivables that have been assigned to the California Parties pursuant to Sections 4.1.1, 4.3, and 4.5 shall be applied to the funding of the consideration provided for in this Agreement, and shall identify for the PX the amounts of any Deemed Distributions, as provided for in Section 6.5. After the amount of the Remaining Enron Receivables is finally determined by FERC, the California Parties will advise the ISO and PX of any amounts of Remaining Enron Receivables that, having been assigned to the California Parties pursuant to Sections 4.1.1, 4.3, and 4.5, shall be applied to the funding of the consideration provided for in this Agreement. Contemporaneous with any such notice or advise, the California Parties will provide Enron with the same notice.
- 6.2.2 Transfers of Cash from PX Settlement Clearing Account.** No later than ten (10) Business Days after the Settlement Effective Date, a cash transfer shall be made from the PX Settlement Clearing Account to the Enron Refund Escrow in the amount of \$15,000,000, less an amount equal to the total of all Deemed Distributions applicable to Deemed Distribution Participants pursuant to Section 6.5 that are Settling Participants. No later than ten (10) Business Days after the California Parties have advised the ISO and PX of the amount of Remaining Enron Receivables pursuant to Section 6.2.1, such amount shall be distributed pursuant to Section 4.3.2.
- 6.2.3 Transfer of Refunds Owed to Enron.** To the extent Enron opts in to any settlement between the California Parties and any other seller in the California market, including the Williams, Dynegy, Duke, and Mirant Settlements and any future settlements, Enron shall direct that any refunds or other payments owed under such settlements to Enron shall be paid

directly to the Enron Refund Escrow and not to Enron. To the extent Enron is awarded refunds or other monetary remedy through litigation in the FERC Refund Proceeding or in the FERC Refund Related Proceedings (exclusive of any Western Parties' termination payment amounts and subject to Sections 4.1.4, 4.1.5, and 4.3.3 concerning amounts owed to Enron by the APX), Enron shall direct that such awards be paid directly to the Enron Refund Escrow and not to Enron. If any of the forgoing payments are made directly to Enron rather than to the Enron Refund Escrow, Enron shall, as soon as practicable, pay such amounts to the Enron Refund Escrow.

6.2.4 Anomalous Bidding Investigation. Within twenty (20) Business Days after the distributions provided for in Section 6.4, a portion of the cash payments transferred pursuant to Section 6.2.2 equal to twenty percent of the total of all Non-Settling Participants' allocable shares of the total amount in refunds for the Pre-October Period as shown on the FERC Refund Proceeding Allocation Matrix shall be transferred to an account specified by OMOI. Such consideration shall be allocated by FERC as part of its resolution of the anomalous bidding investigation in Docket No. IN03-10. Nothing herein shall preclude any Party from advocating any particular refund allocation or methodology with respect to this amount.

6.2.5 Transfers from Enron Refund Escrow. The California Parties may transfer to the California Litigation Escrow amounts in the Enron Refund Escrow that are not needed for refunds to others or for interest payments to Enron pursuant to Section 6.6.

6.3 Allocation of Portions of the Settlement Amount. The Settlement Amount is allocated (i) by time period (including the Pre-October Period, the Pre-January 18, 2001 Period and the Post-January 17, 2001 Period), (ii) by other proceeding or issue, and (iii) among Settling Claimants pursuant to a separate agreement among the Settling Claimants. The FERC Refund Proceeding Allocation Matrix attached as Exhibit A sets forth various allocation percentages with respect to the portions of the Settlement Amount that are applicable to each Settling Claimant and others that may obtain the benefits of the Settlement pursuant to Article 9.

6.3.1 Distribution Currencies. Distributions pursuant to the FERC Refund Proceeding Allocation Matrix shall be paid only with and from sources provided by the Settlement Amount, as described in Section 4.1, in cash, as Deemed Distributions (as described in Section 6.5), or as a share of the Aggregate Allowed Claim, to those entities entitled to receive payments in accordance with the FERC Refund Proceeding Allocation Matrix and which are Settling Participants in the amounts set forth in the FERC Refund Proceeding Allocation Matrix. Settling Claimants will receive, in lieu of payment pursuant to the FERC Refund Allocation Matrix, a share of the Aggregate Allowed Claim as determined pursuant to Section 6.3.3. Out of the Settlement Amount the Opt-In Participants will receive cash

and the Aggregate Allowed Claim will be allocated solely among the Settling Claimants.

- 6.3.2 Allocation to Market Participants.** The FERC Refund Proceeding Allocation Matrix identifies percentage amounts payable under the Settlement to Market Participants in the event they are or become Opt-In Participants.
- 6.3.3 Separate Payments to Settling Claimants.** Portions of the Settlement Amount shall be separately paid to the Settling Claimants. The amount separately payable to the Settling Claimants shall be allocated among them pursuant to an agreement that they will enter into concurrently with or subsequent to this Agreement. The allocation among the Settling Claimants will provide an aggregate unsecured claim of \$45,000,000 from the Aggregate Allowed Claim to be divided among the Additional Claimants. The portion of the Settlement Amount allocated to the Washington Attorney General, shall be used for the direct or indirect benefit of energy consumers in the State of Washington at the sole discretion of the Washington Attorney General. Up to twelve percent (12%) of the total amount of the Washington Attorney General's apportionment may be used to pay for costs, attorneys' fees and administrative expenses incurred by the Washington Attorney General in its investigation and settlement negotiations, including costs, attorneys' fees, and administrative expenses related to implementation of this Agreement. The portion of the Settlement Amount allocated to the Oregon Attorney General, shall be deposited by the Oregon Attorney General to the accounts established by ORS 180.095 and ORS 180.640.
- 6.3.4 Allocation of Civil Penalty Claim.** The civil penalty claim identified in Section 4.1.3 shall be allocated among the California Attorney General, the CPUC, CEOB, the Oregon Attorney General, and the Washington Attorney General pursuant to the Allocation Notice.
- 6.4 Cash Distributions to Opt-In Participants.** Except as provided below for Deemed Distribution Participants, the refunds payable to each Opt-In Participant that is owed refunds in the FERC Refund Proceeding Allocation Matrix shall be paid from the Enron Refund Escrow in cash to such Opt-In Participants no later than twenty (20) Business Days after the Settlement Effective Date.
- 6.5 Deemed Distributions to Deemed Distribution Participants.** Certain Settling Claimants and Opt-In Participants owe pre-refund amounts to the PX or ISO for transactions during the period from January 1, 2000 through June 20, 2001 or owe refunds to the market as calculated in Exhibit Nos. CPX-51 and ISO-30 in the FERC Refund Proceeding for that period and are listed in Exhibit C as Deemed Distribution Participants. Subject to the provisions of Section 6.3.1, distribution of settlement proceeds, other than allocable share of the Aggregate Allowed Claim, to Deemed Distribution Participants under this Agreement will take the

form of a reduction ("Deemed Distribution") against such amounts owed and shall be reflected on the books of the ISO and PX. Any amounts owed to Enron as deemed distributions as defined in the California Parties' settlements with other entities shall be treated in accordance with Section 4.1.4 herein. PG&E is not a Deemed Distribution Participant for purposes of this Settlement because it will not receive a cash distribution for amounts shown on the FERC Refund Proceeding Allocation Matrix.

- 6.6 **Payment of Interest.** No interest shall be released from the PX Settlement Clearing Account or paid to any Party or Opt-In Participant until the FERC Interest Determination has been issued and taken effect. At such time, interest shall be paid to each Party or other Market Participant for refunds in accordance with the FERC Interest Determination. During the Post-January 17, 2001 Period, Enron is expected to receive refunds and associated interest; during the Pre-January 18, 2001 Period, Enron is expected to pay refunds and associated interest. Interest received by Enron on refunds shall be offset against Enron's obligation to pay interest on refunds (*i.e.* as currently expected, all interest earned by Enron on its Post-January 17, 2001 Period refunds (including interest associated with all settlements) shall be used to partially fund payments for interest owed by Enron for its Pre-January 18, 2001 Period refunds). Remaining unpaid interest on amounts to be refunded by Enron to refund recipients shall be funded by a reduction against interest amounts due to Enron Receivables. Any remaining interest on Enron Receivables will be paid to Enron as part of the Remaining Enron Receivables, as defined in Section 4.3.1. Refund principal amounts will be calculated based on the following: For Settling Participants, refund principal amounts are specified in Exhibit A; for Non-Settling Participants, refund principal amounts will be determined pursuant to the outcome of the FERC Refund Proceeding. Notwithstanding the foregoing, the amounts allocated as refunds for the Pre-October Period shall not bear interest except as may be earned in any escrows or accounts separately established under this Agreement. The PX (and/or the ISO) shall pay to the Enron Refund Escrow interest payable with respect to the Enron Receivables within ten (10) Business Days after the FERC Interest Determination unless a different date is specified in the FERC Interest Determination. Within ten (10) Business Days after such distribution to the Enron Refund Escrow, interest will be paid from the Enron Refund Escrow (i) to Settling Participants on amounts to be refunded by Enron for the Pre-January 18, 2001 Period and the Post-January 17, 2001 Period, and (ii) to Enron on the net amount of interest on Enron Receivables minus interest on Enron Refunds as calculated above.
- 6.7 **Distributions to Non-Settling Participants and Disposition of Escrowed Funds.** Amounts specified on the FERC Refund Proceeding Allocation Matrix as payable to Market Participants who, by not making the election provided in Article 9, become Non-Settling Participants will be retained in the Enron Refund Escrow until issuance of the FERC Refund Determination. If FERC determines that Enron owes refunds pursuant to the FERC Refund Determination or interest pursuant to the FERC Interest Determination to any Non-Settling Participant, it

shall be paid first from the amounts retained in relation to Non-Settling Participants in the Enron Refund Escrow, until such funds are exhausted, with any balance to be paid by Enron. To the extent that amounts set aside for Non-Settling Participants in the Enron Refund Escrow for the October 2, 2000 through June 20, 2001 period are in excess of the amount necessary to pay such Non-Settling Participants pursuant to the FERC Refund Determination and the FERC Interest Determination, the remaining amount from the Non-Settling Participant set-aside will be paid to Enron; provided, however, that no distribution of the remaining amount shall be made to Enron unless and until all of its obligations to Settling Claimants (including the assignment and payment of the full Cash Amount) have been satisfied.

6.8 Enron Refund Escrow Balance. Any amounts not distributed to Settling Participants pursuant to this Agreement that remain in the Enron Refund Escrow after all refunds have been paid to Settling Participants and Non-Settling Participants, and after Enron has received any amounts due pursuant to Section 6.7, shall be transferred to the California Litigation Escrow.

6.9 Distribution of Enron ISO Collateral; Metering Error Allocation. Within thirty (30) Business Days after the Settlement Effective Date, the ISO shall distribute the Enron ISO Collateral, including all interest thereon, to (i) all parties listed in the Metering Error Allocation Matrix, Exhibit B, excluding PG&E, SCE, SDG&E, and CERS, in accordance with their respective allocations set forth therein, and (ii) PG&E, SCE, SDG&E, and CERS in accordance with their respective allocations set forth in Exhibit B by depositing all such amounts payable to them in the California Litigation Escrow for reallocation by them to reflect properly the role of CERS on and after December 2, 2001. The FERC Settlement Order shall be deemed (i) an order approving the Metering Error Allocation Matrix as, after taking into account the reallocation provided for in sub-clause (ii) of the preceding sentence, a just and reasonable allocation of the Enron ISO Collateral, and (ii) as resolution, as between the ISO and Enron, for any and all Enron meter reading errors on or after December 2, 2001.

6.10 Effect of Subsequent FERC Orders and Appeals.

6.10.1 Change to FERC Interest Determination. If, as a result of a FERC order on rehearing, reconsideration, or remand, or an order by a court of appeals (in each case that is a final order that is no longer subject to appeal), the FERC Interest Determination is changed in a way that changes the interest amount paid to Settling Participants associated with refunds and other distributions pursuant to this Agreement, then the amount of such interest paid to Settling Participants shall be trued-up among the Settling Participants and between the Settling Participants and Enron by way of refund or surcharge, with interest at the FERC Interest Rate or such other rate as FERC may determine to be applicable, to give full effect to the change from the FERC Interest Determination.

- 6.10.2 Change to FERC Refund Determination.** If, as a result of a FERC order on rehearing, reconsideration, or remand, or an order by a court of appeals (in each case that is a final order that is no longer subject to appeal), the FERC Refund Determination is changed in a way that increases or decreases the amount of refunds owed by or to Enron with respect to any particular Non-Settling Participant, then the amount paid to or received from such Non-Settling Participant shall be trued-up between Enron and such Non-Settling Participant, by way of refund or surcharge, with interest at the FERC Interest Rate or such other rate as FERC may determine to be applicable, to give full effect to the change to the FERC Refund Determination.
- 6.10.3 Change to FERC Receivables Determination.** If, as a result of a FERC order on rehearing, reconsideration, or remand, or an order by a court of appeals (in each case that is a final order that is no longer subject to appeal), the FERC Receivables Determination is changed in a way that increases or decreases the amount of Enron Receivables transferred pursuant to Section 4.3.2, then the amount paid to or received from such transfer shall be trued-up between Enron and the California Parties by way of refund or surcharge, with interest at the FERC Interest Rate or such other rate as FERC may determine to be applicable, to give full effect to the change to the FERC Receivables Determination as applied to the distributions provided for in Section 4.3.2.
- 6.10.4 Payments.** All payments pursuant to this Section 6.10 shall be made at the time and in the manner specified by FERC or the court of appeals. If neither FERC nor the court of appeals specifies the time and manner for such payments, then such payments shall be made by wire transfer within twenty (20) Business Days after the issuance of the FERC or court of appeals order (in each case that is a final order no longer subject to appeal) changing the FERC Interest Determination or the FERC Refund Determination, as applicable.

7. ISO AND PX ACCOUNTING AND IMPLEMENTATION

- 7.1 FERC-Directed Compliance.** The FERC Settlement Order shall constitute authorization and direction to the ISO and PX to implement the terms of this Agreement. As a result of the FERC's approval of this Agreement in the FERC Settlement Order, the ISO and/or PX shall be required to do the following:
- 7.1.1 General Accounting Treatment.** The ISO and PX shall conform their books and records to reflect the distributions, payments, offsets, transfers, deemed resolution of claims, and status of accounts provided for in this Agreement.
- 7.1.2 Accounting Treatment of Assigned Enron Receivables.** The PX and ISO shall reflect on their books and records all distributions from the PX

Settlement Clearing Account to the Enron Refund Escrow that represent payments of amounts owed by the ISO to Enron for the Enron Receivables. The ISO shall recognize, as a reduction in the amounts payable by the PX to the ISO, all distributions from the PX Settlement Clearing Account to the Enron Refund Escrow that represent payments of amounts owed by the ISO to Enron for the Enron Receivables.

7.1.3 Calculation and Accounting Treatment of Distributions to Settling Participants and Non-Settling Participants. The ISO and PX shall calculate the amount, if any, that Enron would owe in refunds if the refund pricing methodology in FERC's orders in the FERC Refund Proceeding were applied for each of three time periods: the Pre-October Period, the Pre-January 18, 2001 Period, and the Post-January 17, 2001 Period ("Unsettled Enron Refund Amount"), and submit those calculations for approval to FERC at the same time that they submit their calculations of refunds for other Market Participants.

7.1.4 Calculation and Accounting Treatment of Refunds Owed to Enron. The ISO and PX shall calculate the amount, if any, that Enron would be owed in refunds if the refund pricing methodology in FERC's orders in the FERC Refund Proceeding were applied for each of the three time periods: the Pre-October Period, the Pre-January 18, 2001 Period, and the Post-January 17, 2001 Period, and submit those calculations for approval to FERC at the same time that they submit their calculations of refunds owed to other Participants. Subject to the provisions of Section 4.3, after adjustment for the waiver of refunds from CERS and the impact of other global settlement agreements, such refunds owed to Enron for any period are assigned to the California Parties as provided in Section 4.1.4.

7.2 Calculation of Enron Refund Amounts For Individual Market Participants. Following the date of the FERC Refund Determination, but prior to the date on which refunds are to be paid pursuant to the FERC Refund Determination, the ISO and PX shall determine the portion of the Unsettled Enron Refund Amounts that, absent this Agreement, would be deemed to be owed to each Market Participant that is entitled to receive refunds ("Unsettled Participant Refund Amount"). The ISO and PX shall determine the Unsettled Participant Refund Amount for each Market Participant by multiplying the Unsettled Enron Refund Amounts for each respective time period (the Pre-October Period (if ordered by FERC), the Pre-January 18, 2001 Period and the Post-January 17, 2001 Period) by each Market Participant's percentage share of total refunds in the combined ISO and PX markets for that time period.

7.2.1 Accounting Treatment of Distributions to Settling Participants. The ISO and PX shall reflect on their books and records that Settling Participants have, through this Agreement, been paid in full their share of all Enron Refunds allocated to them under this Agreement and shall not be entitled to receive the Unsettled Participant Refund Amount if different

from the amount of Enron Refunds allocated to each respective Settling Participant under this Agreement.

- 7.2.2 Accounting Treatment of Deemed Distributions.** The PX and ISO shall reflect Deemed Distributions on the books and records of the PX and ISO as reductions in the amounts owed to the PX and/or ISO by any Settling Participant that receives a Deemed Distribution.
- 7.2.3 Accounting Treatment of Distributions to Non-Settling Participants.** The ISO and PX shall reflect distributions from the Enron Refund Escrow to Non-Settling Participants pursuant to Section 6.7 as payments to Non-Settling Participants.
- 7.3 Termination of Interest Accrual.** The PX and ISO shall reflect in their books and records, with respect to Settling Participants, that the accrual of interest at the FERC-established rate on principal amounts subject to the FERC Interest Determination as provided for in Section 6.6 ceases upon the distribution of funds from the PX and/or the ISO to the Enron Refund Escrow pursuant to this Agreement, or as may be accomplished through the implementation of Deemed Distributions, and, for purposes of the accounts of the PX and the ISO, no interest on such funds shall accrue after distribution.
- 7.4 Enron ISO Collateral.** The FERC Settlement Order shall constitute direction to the ISO to release within thirty (30) Business Days of the Settlement Effective Date the entirety of the Enron ISO Collateral to Market Participants in accordance with Section 6.9.
- 7.5 ISO and PX Claims.** Effective as of the Settlement Effective Date, the Parties shall use reasonable efforts to seek the prompt dismissal or withdrawal with prejudice of all proofs of claim filed by the ISO and the PX against the Enron Debtors to the extent that they seek to recover amounts or otherwise obtain relief on behalf of or for the benefit of any Settling Participant with respect to any claim that is duplicative of the claims released in this Agreement or that otherwise pertains to conduct, acts or omissions by the Enron Parties that are the subject of the releases set forth in this Agreement, or that otherwise would be waived, released and/or withdrawn under this Agreement if asserted by a Settling Participant, in each case in accordance with the FERC Settlement Order and this Agreement. Each Settling Participant hereby agrees to join the Enron Debtors in any argument before the Enron Bankruptcy Court that all claims released in this Agreement actually belong to the Settling Participants as the beneficiaries, real parties in interest and/or responsible parties, and not to the ISO or the PX.
- 7.6 Implementation of Agreement.** FERC's approval of this Agreement in the FERC Settlement Order shall constitute its direction (i) to the ISO and the PX to recognize and implement the assignment of the Enron Receivables, and Enron's reservation of rights therein, and the treatment of PX wind-up expenses in accordance with this Agreement, and (ii) to the PX to reverse any offsets

previously made to the Enron Receivables to reflect PX wind-up expenses payable by Enron in cash under this Agreement.

7.7 Certain Effects of the FERC Settlement Order.

7.7.1 Assignment of Bankruptcy Claims. FERC's approval of the Settlement and this Agreement through the issuance of the FERC Settlement Order shall constitute FERC's direction to the PX that the PX shall, effective as of the Settlement Effective Date, (i) assign to each Non-Settling Participant any and all rights and claims (other than the PX claims for Enron's share of wind-up charges) that the PX holds with respect to claims asserted in the Bankruptcy Proceedings on behalf of such Non-Settling Participant, with the effect that such assignee Non-Settling Participants shall be entitled to assume the positions established by the PX in the Bankruptcy Proceedings, subject to all of the rights, defenses and offsets that the Enron Parties and other Debtors may have against the PX and directly as to such Non-Settling Participants, (ii) be relieved of any further obligation to prosecute claims in the Bankruptcy Proceedings on behalf of Non-Settling Participants, (iii) file notices of assignment in the Bankruptcy Proceedings in compliance with Bankruptcy Rule 3001(e) and otherwise effectuate the transfer of the rights and claims that are required to be assigned pursuant to this Section 7.7.1 and (iv) cease all activities and actions associated with prosecuting or litigating claims on behalf of any Non-Settling Participant in the Bankruptcy Proceedings unless and until the PX has received an executed agreement from such Non-Settling Participant confirming that the Non-Settling Participant will assume and reimburse the PX for all costs and expenses (including attorneys' fees) associated with such activities and actions by the PX. This provision does not impair any objections or defenses raised by the Enron Debtors with respect to or in connection with any proceedings by or against the PX or Non-Settling Participants.

7.7.2 Certain Bankruptcy Proceeding Costs. FERC's approval of the Settlement and this Agreement through the issuance of the FERC Settlement Order shall constitute FERC's direction that after the entry of the FERC Settlement Order no Market Participants (including any Enron Party) other than the Non-Settling Participants shall be liable for any costs or expenses (including attorneys' fees) of the PX incurred thereafter that are associated with prosecuting or litigating claims on behalf of the Non-Settling Participants in the Bankruptcy Proceedings, or otherwise related to participation in the Bankruptcy Proceedings, and among the Non-Settling Participants, the only Non-Settling Participants that shall be liable for such PX costs and expenses (including attorneys' fees) are those Non-Settling Participants that notify the PX in writing of their agreement to pay such PX costs and expenses (including attorneys' fees).

- 7.8 **Duty of Cooperation.** Each Party shall reasonably and in good faith cooperate and take all reasonable steps to secure (i) the release of funds from the PX Settlement Clearing Account to the Enron Refund Escrow as contemplated by this Agreement; (ii) the accounting treatment contemplated under this Article 7; and (iii) any other acts of the PX or the ISO necessary to effectuate the terms of this Agreement. This duty of cooperation shall include making individual or joint requests to the PX or the ISO, executing appropriate waivers, providing data, and providing other assistance to the PX and the ISO as necessary to implement this Agreement.
- 7.9 **Tariff Waivers.** FERC's approval of this Agreement in the FERC Settlement Order shall constitute a grant of such waivers of the ISO and the PX tariffs as may be necessary for the ISO and the PX to disburse such funds as required by this Agreement, to account for transfers, allocations and distributions of funds as required by this Agreement, and to otherwise implement this Agreement.

8. SCOPE OF SETTLEMENT AND RELEASES; WITHDRAWALS, RELEASES, AND WAIVERS

- 8.1 **Settlement of FERC Proceedings.** In return for the consideration specified elsewhere in this Agreement, and subject to the Required Approvals, all claims against Enron for the Settlement Period by the Settling Claimants for refunds, disgorgement of profits, or other monetary or non-monetary remedies in the FERC Proceedings shall be deemed settled and fully discharged; provided that the FERC Proceedings shall not be deemed settled or discharged as to Non-Settling Participants, as defined in Section 9.1, or as to the termination payment claims or defenses as described in Section 8.8.
- 8.2 **Withdrawals from FERC Proceedings by Settling Claimants.** The Settling Claimants shall:
- (i) Within ten (10) Business Days after the Settlement Effective Date, with respect to all Enron Parties, withdraw all pleadings, testimony, and related exhibits and all additional requests for relief filed with the FERC in the Partnership/Gaming Proceeding and terminate their participation in the Partnership/Gaming Proceeding as such participation relates to Enron, but not as such participation relates to any other entity involved in a partnership, alliance or other arrangement with Enron or with others;
 - (ii) With respect to all Enron Parties, take no position regarding the Partnership/Gaming Proceeding in any other forum, including withdrawal from and refraining from continued participation in any appeals of FERC orders issued in any of the dockets that comprise the Partnership/Gaming Proceeding, except to the extent such proceedings relate to entities other than Enron;

- (iii) Within ten (10) Business Days after the Settlement Effective Date, with respect to all Enron Parties, withdraw all pleadings and related filings related to the Revocation Proceeding in any forum, including withdrawal from and refraining from continued participation in any appeals of any FERC orders in any of the dockets that comprise the Revocation Proceeding but only to the extent the Revocation Proceeding and such appeals apply to the Enron Parties;
- (iv) With respect to all Enron Parties take no position in any FERC proceeding or any other forum arising out of FERC's ISO Bidding Investigation, Docket No. IN03-10;
- (v) With respect to all Enron Parties, take no position in any FERC proceeding or any other forum arising out of *Puget Sound Energy Inc. v. All Jurisdictional Sellers of Energy and/or Capacity in the Pacific Northwest*, Docket No. EL01-10; and
- (vi) Take no position regarding any request for retroactive revocation of any Enron Parties' market-based rate authority before the FERC or in any other forum.

Subject to Enron's right to enforce the terms of this Agreement, nothing in this Agreement shall affect in any way the right of the Settling Claimants to participate in any proceeding, including appeals, and advance arguments therein, including arguments by Settling Claimants that Enron's conduct adversely impacted gas and electric market prices, to the extent those proceedings concern requests for relief from entities other than Enron or modifications to market rules and requirements.

- 8.3 **Withdrawal of Subpoenas from FERC Proceedings by Enron.** Enron shall, without prejudice to any subsequent action, within ten (10) Business Days after the Settling Claimants comply with the provisions of Section 8.2(i), withdraw all subpoenas Enron has heretofore served in any of the FERC Proceedings against PG&E, SCE, or employees of PG&E or SCE.
- 8.4 **Reservation of Claims.** Notwithstanding anything to the contrary in this Agreement, Enron and the Settling Claimants shall be deemed to reserve and retain all claims and defenses they may have against Non-Settling Participants. Except as provided in Sections 4.2 and 8.11, Enron and the Settling Claimants shall be deemed to reserve and retain all claims and defenses they may have against the ISO and PX. Enron shall be deemed to reserve and retain all claims and defenses it may have against any of the Western Parties with regard to any termination payment or other forward contract amounts due Enron.
- 8.5 **Other Enron Responsibilities to Non-Settling Participants.** Enron shall be solely responsible for amounts ultimately awarded to Non-Settling Participants in excess of the amounts that have been allocated to the Non-Settling Participants

under this Agreement and shall be entitled to receive amounts allocated to Non-Settling Participants for the Pre-January 18, 2001 Period and the Post-January 17, 2001 Period to the extent such amounts exceed the amounts ultimately awarded to such Non-Settling Participants.

- 8.6 **Terms Related to Bankruptcy Claims.** Upon the Settlement Effective Date, (i) pursuant to Section 4.1.2, the Settling Claimants shall collectively have allowed unsecured Class 6 claims for purposes of the Plan in the aggregate, fixed, liquidated amount of \$875,000,000 against EPMI, without offset, defense or reduction on account of any claim or counterclaim that the Enron Debtors have or may have against any of the Settling Claimants, and each proof of claim filed with the Enron Bankruptcy Court by or on behalf of any of the Settling Claimants against any of the Enron Debtors as listed in Exhibit D attached hereto (collectively, the "Proofs of Claim") shall be deemed satisfied in its entirety by the consideration provided for in this Agreement, and disallowed with prejudice in its entirety, (ii) pursuant to Section 4.1.3, the California Attorney General, CPUC, CEOB, the Oregon Attorney General, and the Washington Attorney General shall have an allowed subordinated Class 380 penalty claim for purposes of the Plan in the aggregate amount of \$600,000,000 against EPMI, and (iii) the claim represented by Claim No. 8879 filed by EPMI against PG&E on September 5, 2001 in PG&E's bankruptcy shall be deemed disallowed with prejudice in its entirety. The Settling Claimants will sign and file any and all documentation necessary to effectuate the withdrawal of their respective Proofs of Claim within twenty-five (25) Business Days after the Settlement Effective Date. Enron shall sign and file any and all documentation necessary to effectuate the withdrawal of Claim 8879 in the PG&E bankruptcy case, in form and content acceptable to PG&E, within twenty-five (25) Business Days after the Settlement Effective Date. At or about the time Enron filed the Bankruptcy Proceedings, Enron prepared and filed with the Enron Bankruptcy Court liability schedules reflecting sums owed to various third parties, including any liabilities that may have been owed to any of the Settling Claimants (collectively, the "Scheduled Liabilities"). The Scheduled Liabilities specifically related to the Proofs of Claim of the Settling Claimants are intended to be settled in full under the terms of this Agreement. Upon the Settlement Effective Date, all Scheduled Liabilities related to any of the Settling Claimants as set forth in the Scheduled Liabilities shall be disallowed in their entirety. Nothing in this Section 8.6 shall affect the Settling Claimants' or EPMI's rights to reconsideration of the disallowance of the proofs of claim referenced in this Section 8.6 under Section 502(j) of the Bankruptcy Code in the event any approvals required by Article 10 are reversed on appeal; provided, further, that the Parties shall support and not oppose any such motion for reconsideration.

- 8.7 **Releases by Enron under the Bankruptcy Code.** Effective on the Settlement Effective Date, each of the Enron Debtors, acting on behalf of themselves and on behalf of each of their respective estates and on behalf of any party (or parties) purporting to act on behalf of the estates of each of the Enron Debtors, releases the Settling Claimants from any and all claims, obligations, causes of action and

liabilities (i) under any of Sections 542, 544, 545, 547, 548, 549, or 553 of the Bankruptcy Code to avoid any alleged transfer to or seek turnover from a Settling Claimant, (ii) under Section 550 of the Bankruptcy Code to recover any such alleged transfer, (iii) under Section 510(c) of the Bankruptcy Code to subordinate any claim of a Settling Claimant, except that it is understood and agreed that the claim described in Section 4.1.3 is and shall be subordinated, and (iv) under Sections 502(d) or 502(j) of the Bankruptcy Code. Enron affirms that it has sole authority to bring such actions, and other than as described in Section 8.10, to its knowledge no other person or entity that has authority intends to pursue such actions. If any action or proceeding referenced in Subparts (i) - (iv) above is commenced by a person or entity other than Enron, or if any person or entity other than Enron seeks authority to commence such action or proceeding, Enron agrees to oppose such action, proceeding or request.

- 8.8 Impact of Settlement on the Partnership/Gaming Proceeding and on the Western Parties.** Any party in the Partnership/Gaming Proceeding that does not opt into this Agreement pursuant to Article 9 may continue to seek remedies from Enron in the Partnership/Gaming Proceeding, provided, however, that any monetary remedy that FERC may determine to award, if any, to such Non-Settling Participant shall not exceed the share allocable to that party, as determined under the allocation methodology adopted by FERC, of any profits, if any, Enron may be finally required and ordered to disgorge, including, for any of the Western Parties, any final order with respect to contract termination payments owed by the Western Parties. Nothing herein will affect the positions that any Non-Settling Participant wishes to assert in the FERC proceeding to determine the allocation methodology.
- 8.9 Impact of Settlement on Enron PX Collateral.** Upon receipt as provided in Section 4.3.1 of the first \$15,000,000 of the Cash Amount, the California Parties shall support any request by Enron made to FERC, the PX, the ISO, the Enron Bankruptcy Court, and/or other party or forum for the release to Enron of the Enron PX Collateral. Upon the Settlement Effective Date, the California Parties shall withdraw from the adversary proceeding captioned Enron Power Marketing, Inc. v. California Power Exchange Corporation, et al., Case No. 04-CV-08177 (RCC), pending in the United States District Court for the Southern District of New York.
- 8.10 Impact on Adversary Proceeding.** Enron and the California Attorney General shall, after the Settlement Effective Date, use all reasonable efforts to obtain a stay or dismissal of the complaint in intervention entitled Official Committee of Unsecured Creditors of Enron Corp., et al. v. People of the State of California, ex rel. Bill Lockyer, Attorney General of the State of California, filed in the Enron Bankruptcy Court, Case No. 01-16034 (AJG), Adversary Proceeding No. 04-03386.
- 8.11 Waiver Regarding ISO and PX Settlements; ISO Grid Management Charges.** The Parties waive and release any disputes regarding existing ISO and

PX settlements with respect to transactions by Enron for the period from January 1, 2000 through June 20, 2001, upon the Settlement Effective Date. Enron shall remain responsible for paying its allocated share of the ISO's grid management charges as finally determined by the ISO and FERC and shall make such payments as an allowed administrative expense claim under Section 503(b) of the Bankruptcy Code without the need to file a request for payment under Section 503 of the Bankruptcy Code for all such post-petition grid management charges.

8.12 FERC, Federal Power Act, and Natural Gas Act Releases. Subject to Section 8.16 below, the Settling Claimants, on the one hand, and Enron Debtors, on the other hand, shall, as of the Settlement Effective Date, be deemed to have released the other from all existing and future claims before FERC and/or under the Federal Power Act and Natural Gas Act, for the Settlement Period, that:

- (i) Enron Debtors or any Settling Claimant charged, collected, or paid unjust, unreasonable, or otherwise unlawful rates, terms, or conditions for electric energy, ancillary services, transmission congestion, or natural gas in the western electricity or natural gas markets; or
- (ii) Enron Debtors or any Settling Claimant manipulated the western electricity or natural gas market in any fashion (including claims of economic or physical withholding, gaming, forms of electricity or natural gas market manipulation discussed in the Final Staff Report), or any other forms of electricity or natural gas market manipulation, or otherwise violated any applicable tariff, regulation, law, rule, or order relating to the western electricity or natural gas markets.

8.13 Assignment and Waivers by Enron and CERS Relating to CERS Refunds. Upon the Settlement Effective Date, (i) Enron hereby assigns to CERS any claim for refunds and associated interest, if any, resulting from any mitigation of sales by CERS of imbalance energy into the ISO real time market, as well as surcharges, other charges, or payments associated with such sales, that may be payable pursuant to FERC's May 12, 2004 Order on Requests for Rehearing and Clarification in Docket Nos. EL00-95-087 and EL00-98-074 and subsequent orders, and all of its right, title and interest in and to any such refunds, associated interest, surcharges, other charges, and payments that are either directly or indirectly through others allocated to Enron, and (ii) CERS hereby agrees to assign to Enron all of its right, title and interest to any award of costs, associated interest, other charges, and payments, if any, against Enron arising from a cost filing by CERS and in the event that CERS purchases from Enron become subject to mitigation for any reason, CERS hereby agrees to assign to Enron all of its right, title and interest to any refunds, associated interest, other charges, and payments, if any, from Enron.

8.14 Civil Claims Releases. Subject to Section 8.16 below, the Settling Claimants, on the one hand, and Enron Debtors, on the other hand, shall, as of the Settlement Effective Date, be deemed to have forever released the other from all past,

existing and future claims for civil damages and/or equitable relief concerning, pertaining to, or arising from allegations that Enron Debtors or any Settling Claimant, during the Settlement Period:

- (i) Charged, collected, or paid unjust, unreasonable, or otherwise unlawful rates, terms, or conditions for energy, ancillary services, transmission congestion, or natural gas in the western electricity or natural gas markets;
- (ii) Manipulated the western electricity or natural gas market in any fashion (including claims of economic or physical withholding, gaming, forms of market manipulation discussed in the Final Staff Report, or any other forms of market manipulation); or
- (iii) Was unjustly enriched by the foregoing released claims or otherwise violated any applicable tariff, regulation, law, rule, or order relating to transactions in the western electricity or natural gas markets.

The Parties understand that, except as expressly provided for in this Agreement, this Section precludes Enron from claiming additional payment from the Settling Claimants for any amounts that may be owed for transactions in the ISO and PX markets during the Settlement Period and likewise precludes the Settling Parties from claiming any additional payments from Enron for sales transactions in the ISO and PX markets during the Settlement Period.

8.15 Additional Releases Between Enron Non-Debtor Gas Entities and Settling Claimants. Subject to Section 8.16 below, the Enron Non-Debtor Gas Entities and the Settling Claimants, as of the Settlement Effective Date, hereby release each, of and from the other, from all FERC and Natural Gas Act claims of the same character provided in Section 8.12 and civil claims of the same character provided in Section 8.14 arising from any transaction or occurrence described in the Initial Staff Report, the Final Staff Report, or in FERC's June 25, 2003 Order in Docket No. EL03-77 with respect to the Enron Non-Debtor Gas Entities.

8.16 Limitations on Releases.

8.16.1 Cooperation with Investigations; Participation in FERC Proceedings.

The Settling Claimants may continue to cooperate with all state and federal investigations and to participate in all matters before FERC; provided that, as of the Settlement Effective Date, the Settling Claimants shall withdraw from and not prosecute any litigation, administrative proceedings, or investigations with respect to Enron insofar as such prosecution would be inconsistent with the foregoing released claims.

8.16.2 No Waiver by Attorneys General as to Criminal Claims, or Claims or Defenses of Enron as to Western Parties. The releases set forth in this Agreement do not constitute a waiver or release of any claims by (1) the California Attorney General, the Oregon Attorney General, or the Washington Attorney General for any actions of or omissions by the

Enron Parties either before or subsequent to the Settlement Effective Date which are criminal, or (2) the Enron Parties as to any claim or defense as to any of the Western Parties as to any matter, including any issue relating to any forward contract, except as may hereafter be expressly agreed to by Enron in writing.

- 8.16.3 Existing or Future Proceedings.** Subject to the provisions of Section 8.16.1, all Settling Participants shall remain free to participate in any existing or future proceeding, or to initiate or participate in any future proceedings, addressing matters not settled in this Agreement, including generic issues concerning market structure, scheduling rules, generally applicable market rules, and generally applicable price mitigation.
- 8.16.4 Future California Parties' Settlements.** Enron agrees not to oppose any settlement between the California Parties and any other seller in the California market that substantially conforms to the terms of this Agreement or with the terms of the Williams, Dynegy, Duke, and Mirant Settlements and shall agree to allow such other seller to opt-in to this Agreement. If Enron has a claim to refunds in the FERC Refund Proceedings against any such other seller, Enron will join any settlement between the California Parties and such seller that substantially conforms to the terms of this Agreement or the Williams, Dynegy, Duke, and Mirant Settlements provided that if such other seller has a claim to refunds in the FERC Refund Proceeding against Enron, such other seller agrees to opt-in as to the Settlement, even if the five day notice period for opt-ins has passed, to the extent it has not already done so.
- 8.16.5 Payment of PX Wind-Up Charges.** Nothing in the foregoing releases shall be construed as affecting Enron's obligation under Section 4.2 to pay PX Wind-Up Charges in the amount determined by FERC up to \$1,000,000. Enron's share of PX Wind-Up Charges shall be an allowed administrative expense claim, pursuant to Sections 503 and 507 of the Bankruptcy Code, rather than through a credit to its PX invoice. To the extent that the PX previously obtained payment from Enron for PX Wind-Up Charges by setoff against the Enron Receivables, the FERC Settlement Order shall be deemed to direct the PX to reverse such setoff.
- 8.16.6 Enron's Direct Access and Retail Customers.** Nothing in this Agreement shall waive, settle, or release any claim of any direct access or retail customer of Enron including the University of California.
- 8.16.7 Qualifying Facilities.** Nothing in this Agreement shall affect or limit the right of the California Parties to seek and recover a refund of overpayments made by the utilities to any qualifying facility owned by or in any way associated with Enron now or previously, including the following proceedings pending before the CPUC: R.99-11-022, R.04-04-

003, and R.04-04-02, nor shall anything in this Agreement limit the ability of the CPUC to order such relief or limit any defenses of Enron thereto.

- 8.16.8 Claims Against Third Parties.** Nothing in this Agreement (including Section 8.4) limits in any way the right of any Settling Claimant to pursue claims against third parties (including lenders, accountants, and former directors or officers of Enron) in relation to the acts of Enron or otherwise concerning Enron, whether such claim seeks direct relief or seeks relief for the Enron bankruptcy estate.
- 8.16.9 Claims Against Portland General.** Nothing in this Agreement limits in any way the right of any Settling Claimant to pursue claims against Portland General Electric Company or releases any such claims.
- 8.17 Waiver of Appeals and Requests for Rehearing.** Each of the Settling Claimants shall forego any rights to seek rehearing of, or appeal, or petition for review of any and all of the claims released and matters settled herein by each of them with respect to Enron, and the Enron Parties shall forego any rights to seek rehearing of, or appeal, or petition for review of any and all of the claims released and matters settled herein by the Enron Parties with respect to any of the Settling Claimants; and the Settling Claimants and the Enron Parties shall take appropriate steps within ten (10) Business Days after the Settlement Effective Date to withdraw any pending requests for rehearing or appeals or petition for review (including interventions in appeals) with respect to such released claims as against any such Settling Claimants and Enron Parties. Nothing in this Agreement shall preclude any of the California Parties or the Enron Parties from participating fully in any request for rehearing or appellate proceeding to the extent those proceedings relate to claims by the California Parties against Market Participants other than Enron and/or claims by the Enron Parties against Market Participants other than the Settling Claimants.
- 8.18 Effectiveness of Releases; Waiver of Unknown Claims.** The Parties acknowledge and agree that, except as expressly reserved in Section 8.16, it is their intention that the releases granted pursuant to this Article 8 shall be effective as a bar to all causes of action and demands for monetary relief, including costs, expenses, attorneys' fees, damages, losses and liabilities of every kind, known or unknown, suspected or unsuspected, specified in this Article 8. In furtherance of this intention, the Enron Parties, on the one hand, and the Settling Claimants, on the other hand, with respect to the specific matters released herein, each knowingly, voluntarily, intentionally and expressly waive, as against each other, any and all rights and benefits conferred by California Civil Code Section 1542 and any law of the United States and any state or territory of the United States or principle of common law that is similar to Section 1542. Section 1542 provides:

**A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS
WHICH THE CREDITOR DOES NOT KNOW OR
SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF**

**EXECUTING THE RELEASE, WHICH IF KNOWN BY
HIM MUST HAVE MATERIALLY AFFECTED HIS
SETTLEMENT WITH THE DEBTOR.**

In connection with such waiver and relinquishment, the Enron Parties and the Settling Claimants each acknowledge that they are aware that they may hereafter discover facts in addition to or different from those which they know or believe to be true and with respect to the subject matter of this Agreement, but that it is their intention hereby, except as expressly reserved in Section 8.16, to fully, finally and forever settle and release all matters, disputes, differences, known or unknown, suspected or unsuspected, that are set forth in this Article 8. This Agreement is intended to include in its effect, without limitation, other than the limitations set forth in Section 8.16, all claims encompassed within this Agreement and releases set forth in this Article 8, including those which the Enron Parties and the Settling Claimants may not know or suspect to exist at the time of execution of this Agreement, and this Agreement contemplates the extinguishment of all such claims, except as expressly reserved in Section 8.16. The releases set forth in this Article 8 shall be, and remain in effect as, full and complete releases, notwithstanding the discovery or existence of any such additional or different facts relating to the subject matter of this Agreement. Notwithstanding the waiver of California Civil Code Section 1542, the Enron Parties and the Settling Claimants acknowledge and agree that the waivers and releases provided for in this Agreement are specific to the claims, whether known or unknown, pertaining to the matters set forth in this Article 8 and are not intended to create general releases as to all claims, or potential claims, between the Settling Claimants or any of them and the Enron Parties. Each Party continues to have its rights and defenses under this Agreement, none of which are hereby released or impaired.

- 8.19 **Good Faith Settlement.** The Parties agree that this Agreement as set forth in this Agreement is a "good faith settlement" within the meaning of California Code of Civil Procedure Section 877.6 (and any similar law of any other applicable jurisdiction) for purposes of eliminating third-party indemnity contribution and arbitration claims against the Enron Debtors. All Parties shall support a finding by the Enron Bankruptcy Court to that effect.
- 8.20 **Prior Settlements with Other Sellers.** Enron shall request the right to opt-in and remove any conditions on its prior opt-ins to each of the prior settlements between the California Parties and other sellers relating to the FERC Refund Proceeding (*i.e.*, the Williams, Dynegey, Duke, and Mirant Settlements) and, if successful, shall transfer or assign free and clear of all liens, claims, encumbrances and interests of any kind whatsoever in accordance with Sections 363(b) and (f) of the Bankruptcy Code, to the California Parties for payment into the Enron Refund Escrow, any refunds to which it is entitled under any such settlements without reduction for any Fuel Cost Allowance or Emissions Offset, for which Enron shall remain responsible as provided in Section 4.6. Such transfer, once approved, shall be automatically perfected by the order of the Enron Bankruptcy Court approving this Agreement.

- 8.21 **Commandeering Litigation.** Enron hereby releases any claims arising from the commandeering by Governor Davis of the block forward contracts of PG&E and SCE, including any right to any proceeds of, or recovery through the Inverse Condemnation Cases, Judicial Council Coordination Proceeding No. 4203, now pending in Sacramento County Superior Court, and, except for Enron's obligations under Section 4.2 to pay litigation costs incorporated into PX Wind-Up Charges as determined by FERC, it is agreed by the Parties that Enron has no responsibility to the PX for any of the costs thereof.
- 8.22 **Enron's Meter Reading Errors.** Settling Claimants release Enron as to all claims asserted by any of the Settling Claimants with respect to overpayments by any of the Settling Claimants arising from Enron's meter reading errors and overcharges to California ISO Market Participants, including the claims for meter reading errors and overcharges to California ISO Market Participants asserted in administrative expense claims filed by CERS in the Enron Bankruptcy Court on January 14, 2005, and in the motion of CERS to file amended or late proof of claim, or to deem matters included within existing claims filed by CERS on October 6, 2003, and similar claims filed by SCE and PG&E.

9. MARKET PARTICIPANTS' ELECTION TO PARTICIPATE IN SETTLEMENT

- 9.1 **Election to Participate in Settlement.** Subject to the terms of this Agreement, including Section 8.16.2, upon the filing of this Agreement at FERC, any Market Participant that elects to be bound by this Agreement may become an "Opt-In Participant" and shall be bound by this Agreement by notifying FERC that the Market Participant wishes to become a Settling Participant, using the form of notice attached hereto as Exhibit F. Opt-In Participants shall have rights and obligations provided for them under this Agreement, even though such Opt-In Participants shall not be Parties or Settling Claimants hereto. Electronic copies of the notice required by the first sentence of this Section 9.1 shall be served, in accordance with FERC's rules, on each person designated on (i) the ListServ established for the FERC Refund Proceeding and (ii) the ListServ established for the Partnership/Gaming Proceeding. Any Market Participant that has not provided such notice and the required service on or before the date that is five (5) Business Days following the issuance by FERC of the FERC Settlement Order shall have no right to participate in the Settlement contemplated in this Agreement, absent the written agreement of the California Parties and the Enron Parties, and shall be deemed to be a "Non-Settling Participant" for purposes of this Agreement.
- 9.2 **Releases.** Subject to the terms of this Agreement including Section 8.16.2, each Market Participant electing to be an Opt-In Participant bound by this Agreement pursuant to Section 9.1 shall be deemed to have provided all of the waivers and releases of claims against the Enron Parties that are set forth in Article 8, and the Enron Parties shall be deemed to have provided or received the waivers and releases set forth in Article 8 as they relate to such Opt-In Participant. Non-Settling Participants shall not be deemed to have provided or received any of

the waivers, releases, or other benefits set forth in this Agreement. If an Opt-In Participant itself is determined by FERC to owe refunds to the ISO or PX on account of transactions during 2000 and 2001, opting into this Agreement shall not be deemed to reduce or alter the amount of refunds that such participant owes.

- 9.3 **Terms Related to Bankruptcy Claims.** Each proof of claim filed with the Enron Bankruptcy Court by or on behalf of any of the Opt-In Participants against any of the Enron Debtors that is within the scope of the releases provided for in Article 8 shall be deemed satisfied in its entirety by the consideration provided for in this Agreement and disallowed with prejudice in their entirety. Each Opt-In Participant shall sign and file any and all documentation necessary to effectuate the withdrawal or amendment of any Proofs of Claim asserting a claim released by this Agreement (each an "Opt-In Proof of Claim") within twenty-five (25) Business Days after the Settlement Effective Date. At or about the time Enron filed its Bankruptcy Case, Enron prepared and filed with the Enron Bankruptcy Court liability schedules reflecting sums owed to various third parties, including any liabilities that may have been owed to any of the Opt-In Participants (collectively, the "Opt-In Scheduled Liabilities"). Enron agrees to amend the Opt-In Scheduled Liabilities promptly after each Opt-In Participant withdraws or amends its Opt-In Proof of Claim as provided above to reflect the same. Nothing in this Section 9.3 shall affect the Opt-In Participants' or Enron's rights to reconsideration of the disallowance of all or any portion of an Opt-In Proof of Claim under Section 502(j) of the Bankruptcy Code in the event any approvals required by Article 10 are reversed on appeal; provided, further, that the Parties shall support and not oppose any such motion for reconsideration.

10. REQUIRED APPROVALS; OBTAINING REQUIRED APPROVALS; STAYS

- 10.1 **Required Approvals.** The Settlement made pursuant to this Agreement shall be subject to approval by:

- 10.1.1 **FERC.** FERC in the FERC Settlement Order, which order approving this Agreement shall, unless it makes express specific findings to the contrary, be deemed and construed in accordance with this Section 10.1.1 to expressly find and conclude that (a) the monetary and other consideration provided by Enron in accordance with Articles 4 and 5 herein shall fully resolve and be in final satisfaction of any and all remedies for any and all liabilities of any of the Enron Parties to, and shall be deemed to be disgorged in favor of, the Settling Claimants and all Opt-In Participants in any of the dockets that comprise the Partnership/Gaming Proceeding, save and except those asserted by Western Parties in connection with any of the termination payment claims and/or defenses, (b) any monetary remedy that FERC may determine to award, if any, to any Non-Settling Participant in the Partnership/Gaming Proceeding shall not exceed the share allocable to that party, as determined under the allocation methodology adopted by FERC, of any profits, if any, Enron may be finally required and ordered to disgorge, including, for any of the Western Parties, pursuant to any final

order with respect to contract termination payments owed by the Western Parties, and (c) all pleadings, testimony, and related exhibits of Settling Claimants and all additional requests of Settling Claimants for relief filed with FERC in the Partnership/Gaming Proceeding shall be withdrawn with prejudice to the right of refiling same;

10.1.2 The Enron Bankruptcy Court. The Enron Bankruptcy Court by entry of the Enron Bankruptcy Court Order, which order shall (i) include a good faith finding under Section 363(m) of the Bankruptcy Code with respect to Enron's transfer of the Assigned Assets to the California Parties in accordance with Section 4.5, and (ii) provide that the foregoing approvals and findings shall become effective immediately upon entry notwithstanding the ten (10) day stay provided for in Bankruptcy Rule 6004(g). Enron shall seek a finding in the Enron Bankruptcy Court Order that the Settlement is a complex agreement resolving numerous disputes and pending legal proceedings among numerous parties and that following consummation after the Settlement Effective Date, it will be practically and legally impossible to unwind this Settlement or restore the parties to their status quo based upon any reversal or modification on appeal or rehearing or other review; and

10.1.3 The CPUC. The CPUC, either by entering into the Agreement as a Party or, if an appropriate application for approval of this Settlement or this Agreement is submitted to the CPUC, by issuing its own order approving the Settlement or this Agreement in its entirety that has become final and is no longer subject to appeal.

Each of the three approvals provided for above shall include approval of all of the terms and conditions of this Agreement in its entirety without material change or condition unacceptable to any adversely affected Party (collectively, the "Required Approvals" and each a "Required Approval"). If any Required Approval, or, if the Settlement Effective Date has not then occurred, any order resulting from a request for rehearing or an appeal of any of the Required Approvals, includes a material change or condition that adversely affects any Party, then each Party so affected shall communicate its consent or lack of consent to such change or condition in writing to the other Parties within five (5) Business Days after the date on which the decision, order, or ruling constituting the Required Approval, or any order resulting from a request for rehearing or appeal of any Required Approval, was issued. The failure of an affected Party to provide written notice to the other Parties in accordance with the foregoing sentence shall constitute acceptance by such Party of the material change or condition. In such cases where an order includes a material change or condition, the Required Approval will be deemed to have occurred on the date all Parties have indicated consent by providing written notice to the other Parties or by failing to provide timely notice.

- 10.2 **Enron Bankruptcy Court Motion.** The Enron Debtors shall file a motion requesting Enron Bankruptcy Court approval of the Settlement and this Agreement pursuant to Rule 9019 of the Federal Rules of Bankruptcy Procedure ("Bankruptcy Rule 9019 Motion"), together with a form of order approving the Bankruptcy Rule 9019 Motion that shall both be in form and substance satisfactory to each of the Parties in the reasonable exercise of its judgment. As soon as practicable after the Execution Date, but not later than August 31, 2005, the Enron Debtors shall prepare and circulate the Bankruptcy Rule 9019 Motion and related pleadings and form of order to the other Parties to ensure that all Parties have adequate time to review in advance of filing. The Bankruptcy Rule 9019 Motion and form of order shall not be filed until it is in a form acceptable to the California Parties and the Enron Debtors.
- 10.3 **CPUC Approval.** The CPUC's execution of this Agreement as a Party shall constitute its approval of this Agreement and the Settlement. CPUC approval, however obtained, shall constitute permission for SCE to consummate this Agreement.
- 10.4 **Cooperation Regarding Stays.** The Parties shall cooperate, at their own expense, to seek stays of the proceedings set forth in Exhibit E or to maintain or extend any stay of the Stayed Proceedings in effect on the Execution Date, until (i) as to the FERC proceedings, the earlier of (a) the date FERC rules on the Parties' request for approval of this Agreement or (b) the date the Agreement is terminated; and (ii) as to the Bankruptcy Proceedings, the earlier of (a) the Settlement Effective Date or (b) the date this Agreement is terminated. Commencing on the Execution Date and continuing throughout the applicable stay period, the Parties shall not file any motion or other pleading requesting relief from the Enron Bankruptcy Court, the district court, the other courts before which the Stayed Proceedings are pending, or FERC in respect of the stayed actions or proceedings, except as may be necessary to continue the stay or to effectuate the Required Approvals. No collateral estoppel or other prejudice to any Party's rights, claims, and defenses shall arise during or on account of the applicable stay period and none of the Parties shall have any argument based on the doctrine of laches or similar equitable grounds due to inaction during the applicable stay period.

11. REPRESENTATIONS, WARRANTIES, AND COVENANTS

- 11.1 **Representations of All Parties and Settling Participants.** Each of the Enron Non-Debtor Gas Entities, Settling Claimants, and Opt-In Participants makes the following representations and warranties, for itself only, to each other Party and Opt-In Participant, to be effective from and after (i) for the Parties, the Execution Date, and (ii) for Opt-In Participants, the date of election to participate in the Settlement pursuant to Article 9:
- 11.1.1 **Organizational Status, Power, and Authority.** Except for governmental parties, Enron Compression Services Company and Enron MW, L.L.C, it

is a corporation or limited liability company duly organized, validly existing and in good standing under the laws of the jurisdiction of its formation. It possesses all necessary power and authority to execute, deliver and perform its obligations under this Agreement.

11.1.2 **Authority to Execute.** The execution, delivery, election to participate in and performance of this Agreement (i) are within its powers, (ii) have been duly authorized by all necessary action on its behalf and all necessary consents or approvals have been obtained and are in full force and effect, and (iii) do not violate any of the terms and conditions of any applicable law, or materially violate any contracts to which it is a party.

11.1.3 **Binding Obligation.** This Agreement constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms.

11.1.4 **Ownership of Claims.** It is the sole owner of the bankruptcy, civil, FERC and any and all other claims and rights that are being addressed, resolved and compromised by it pursuant to this Agreement and, except as provided in this Agreement, there has been no sale, assignment, transfer, pledge or hypothecation, or attempted sale, assignment, transfer, pledge or hypothecation, by it of any such rights or claims, whether directly, indirectly, by operation of law or otherwise.

11.2 **Enron and Other Party Acknowledgments:**

11.2.1 **Amount of Enron Receivables.** As of the Execution Date, Settling Claimants and the Enron Parties have exchanged information between themselves and the ISO and PX, have jointly examined and reviewed such information, and based upon that exchange and review all of the Parties acknowledge that the revised amount of the Enron Receivables (identified in Section 4.3 as an amount exceeding \$27,000,000) is consistent with all current information concerning the Enron Receivables, which they have and have received from the ISO and PX, and the Parties represent to each other that they have no knowledge of any information material to the Settlement inconsistent with that information.

11.2.2 **Encumbrances Affecting Assigned Assets.** Although the Parties acknowledge that various parties may have made claims for offsets and other similar claims in Bankruptcy Cases or at FERC, the Enron Parties affirm and represent that they have not, as of the Execution Date pledged, hypothecated, encumbered, sold, transferred, or otherwise assigned, to any third party, voluntarily or involuntarily, or by way of set off or offset, any portion of the Enron Receivables or any other Assigned Assets and covenant that they will not do so, or permit the same to occur, following the Execution Date, except as expressly provided for herein or as required by law.

11.2.3 Further Assurances; Transfer of Enron Receivables and Claims of Settling Claimants. The Parties covenant among themselves (i) that at all times from and after the Settlement Effective Date, the Enron Parties will, upon the reasonable request of the California Parties, execute and/or deliver such further documents, agreements, instruments, and accounts and other books of record, and shall cooperate and do such other and further acts, as may be necessary to effectuate the Enron Parties' transfer of the Enron Receivables pursuant to Sections 4.3 and 4.5; and, (ii) the Settling Claimants do simultaneous with the Settlement Effective Date, and with the exception of the consideration provided for in this Agreement, hereby transfer, assign and convey to the Enron Parties any and all of the Settling Claimants' rights to allocable shares, as determined under the allocation methodology adopted by FERC, of any profits, if any, Enron may be finally required and ordered to disgorge in the Partnership/Gaming Proceeding, and will, upon the reasonable request of the Enron Parties, execute and/or deliver such further documents, agreements, instruments, and accounts and other books of record, and shall cooperate and do such other and further acts, as may be necessary to effectuate the California Parties' transfer and assignment of those rights to allocable shares to the Enron Parties.

12. GOVERNING LAW; INTERPRETATION

- 12.1 Governing Law.** To the extent not governed by federal law, this Agreement shall be governed by and construed in accordance with the laws of the State of California, without regard to its conflict of laws principles.
- 12.2 Entire Agreement.** This Agreement contains the entire agreement among the Parties with respect to the subject matter hereof and there are no agreements, understandings, representations, or warranties among the Parties other than those set forth or referred to herein. Each of the Parties expressly disclaims any reliance upon any representations or warranties not stated herein.
- 12.3 Headings.** The headings or titles of Articles or Sections used in this Agreement (in bold typeface) are for convenience only and shall be disregarded in interpreting this Agreement.
- 12.4 Parties Represented by Counsel.** The Parties acknowledge that they have sought the advice of, and have been advised by, legal counsel of their choice in connection with the negotiation of this Agreement, and that the Parties have willingly entered into this Agreement with a full understanding of the legal and financial consequences of this Agreement.
- 12.5 Drafting of Agreement.** The Parties acknowledge that (i) this Agreement is the result of negotiations among, and has been reviewed by, each Party and its respective counsel, and (ii) all Parties contributed to the drafting of this Agreement. Accordingly, this Agreement shall be deemed to be the product of all

Parties, and no ambiguity shall be construed in favor of or against any Party on the basis that it drafted the ambiguous provision.

12.6 Rules of Interpretation. The following rules of interpretation shall apply to this Agreement, including all Exhibits.

12.6.1 Singular; Plural. Unless the context otherwise requires, words used in this Agreement shall include in the singular number the plural and in the plural number the singular.

12.6.2 Self Reference; Incorporation by Reference; Cross Reference. Except as otherwise specified herein, all references in this Agreement to an "Article," "Section," or "Exhibit" shall mean an Article, Section, or Exhibit of this Agreement. The words "hereof," "herein," and "hereunder," and words of similar import when used in this Agreement, including the Exhibits, shall, unless otherwise specified, refer to this Agreement as a whole and not to any particular Article, Section, Exhibit or provision of this Agreement, and all references to Articles, Sections or Exhibits shall be to all subparts of such Articles, Sections or Exhibits. All Exhibits shall be deemed to be incorporated by reference and made a part of this Agreement.

12.6.3 Inclusive of Permitted Successors. Unless otherwise stated, any reference in this Agreement to any person or entity shall include its permitted successors and assigns and, in the case of any Governmental Authority, any entity succeeding to its functions and capabilities.

12.6.4 Inclusive References. When used herein, the words "include," "includes," and "including" shall not be limiting and shall be deemed in all instances to be followed by the phrase "without limitation."

12.7 Applicability of Bankruptcy Code. Except as otherwise specifically provided in Sections 4.2, 4.3.3, 4.6, 4.7, 8.11, and 8.16.5, nothing in this Agreement shall affect the applicability, if any, of the Bankruptcy Code to any liabilities for which Enron has responsibility.

13. MISCELLANEOUS

13.1 Notices. All notices, demands and other communications between or among any of the Parties hereunder shall be in writing and shall be deemed to have been duly given: (i) when personally delivered; (ii) upon actual receipt (as established by confirmation of receipt or otherwise) during normal business hours, otherwise on the first (1st) Business Day thereafter, if transmitted by facsimile or telecopier with confirmation of receipt; (iii) on the date of receipt when mailed by certified mail, return receipt requested, postage prepaid; or (iv) on the date of receipt when sent by overnight courier; in each case, to the addresses set forth in Section 13.2, or to such other addresses as a Party may from time to time specify by notice to

the other Parties given pursuant to this Section 13.1. Email addresses are provided for convenience only and do not constitute notice.

13.2 Parties' Addresses. Notices required under this Agreement shall be delivered to:

If to the Enron Parties:

Enron Corp.
Office of Corporate Secretary
1221 Lamar, Suite 1600
Houston, Texas 77010
Facsimile: 713-853-2534
Email: Not Applicable

Enron Wholesale Services
1221 Lamar, Suite 1600
Houston, Texas 77010
Facsimile: 713-646-3490
Attention: Legal Department
Email: alan.aronowitz@enron.com

Enron Wholesale Services
1221 Lamar, Suite 1600
Houston, Texas 77010
Attention: Mr. Robert Semple
Email: robert.semple@enron.com

With a copy to:

Charles A. Moore
LeBoeuf, Lamb, Greene & MacRae, L.L.P.
1000 Main Street, Suite 2550
Houston, TX 77002
Telephone: 713 287-2000
Facsimile: 713 287-2100
Email: cmoore@llgm.com

If to PG&E:

Joshua Bar-Lev
Physical address:
PG&E Legal Department
77 Beale Street
San Francisco, CA 94120
Mailing address:
Mail Code B30A
P.O. Box 7442
San Francisco, CA 94120-7442
Telephone: 415 973-4507

Facsimile: (415) 973-5520
E-Mail: jxb7@pge.com

With a copy to:

Stan Berman
Heller Ehrman LLP
701 Fifth Avenue, Suite 6100
Seattle, WA 98104-7098
Telephone: (206) 389-4276
Facsimile: (206) 515-8927
E-Mail: sberman@hewm.com

If to SCE:

Russell Swartz
Southern California Edison Company
2244 Walnut Grove Avenue
Rosemead, CA 91770
Telephone: (626) 302-3925
Facsimile: (626) 302-1904
E-Mail: russell.swartz@sce.com

With a copy to:

Richard Roberts
Steptoe & Johnson LLC
1330 Connecticut Avenue, N.W.
Washington, DC 20036-1795
Telephone: (202) 429-6756
Facsimile: (202) 429-3902
E-Mail: rroberts@steptoe.com

If to SDG&E:

Don Garber
San Diego Gas & Electric Company
101 Ash Street
San Diego, CA 92101-3017
Telephone: (619) 699-5027
Facsimile: (619) 696-4539
E-Mail: dgarber@sempa.com

If to OMOI:

Robert Pease
Office of Market Oversight and Investigations
Federal Energy Regulatory Commission
888 1st Street, NE
Washington, DC 20426
Telephone: (202) 502-8131

Facsimile: (202) 208-0057
E-Mail: Robert.Pease@ferc.gov

With a copy to:

Lee Ann Watson
Office of Market Oversight and Investigations
Federal Energy Regulatory Commission
888 1st Street, NE
Washington, DC 20426
Telephone: (202) 502-6317
Facsimile: (202) 208-0057
E-Mail: LeeAnn.Watson@ferc.gov

If to CERS:

Peter S. Garris
Deputy Director
California Department of Energy Resources Scheduling
3310 El Camino Avenue, Suite 120
Sacramento, CA 95821
Telephone: (916) 574-2733
Facsimile: (916) 574-0301
E-Mail: pgarris@water.ca.gov

With a copy to:

Nancy Saracino
Office of the Chief Counsel
1416 Ninth Street, Room 1118
Sacramento, CA 95814
Telephone: (916) 653-7084
Facsimile: (916) 654-9822
E-Mail: nsaracin@water.ca.gov

If to CEOB:

Erik Saltmarsh
California Electricity Oversight Board
770 L Street, Suite 1250
Sacramento, CA 95814
Telephone: (916) 322-8601
Facsimile: (916) 322-8591
E-Mail: esaltmarsh@eob.ca.gov

If to CPUC:

Elizabeth McQuillan
California Public Utilities Commission
Legal Division, Room 4107-12
505 Van Ness Avenue

San Francisco, CA 94102
Telephone: (415) 703-1471
Facsimile: (415) 703-2262
E-Mail: emm@cpuc.ca.gov

If to California Attorney General:

Ken Alex
Supervising Deputy Attorney General
P.O. Box 70550
1515 Clay St., 20th Fl.
Oakland, CA 94612-0550
Telephone: (510) 622-2137
Facsimile: (510) 622- 2270
E-Mail: ken.alex@doj.ca.gov

If to Oregon Attorney General:

Caren Rovics
Senior Assistant Attorney General
1162 Court Street NE
Salem, OR 97310-4096
Telephone: (503) 947-4333
Facsimile: (503) 378-5017
E-Mail: caren.rovics@doj.state.or.us

If to Washington Attorney General:

Brady R. Johnson, Assistant Attorney General
Office of the Washington Attorney General
900 Fourth Avenue, Suite 2000 TB14
Seattle, WA 98164
Telephone: (206) 389-2848
Facsimile: (206) 587-5636
E-Mail: BradyJ@ATG.WA.GOV

- 13.3 **Successors and Assigns.** This Agreement shall be binding upon and inure to the benefit of the Parties hereto and their respective permitted successors and assigns and in the case of any Governmental Authority, any entity succeeding to its functions and capabilities.
- 13.4 **No Third-Party Beneficiaries; No Admissions.** This Agreement is not intended to confer upon any person or entity that is not a Party or a Settling Participant any rights or remedies hereunder, and no one, other than a Party or a Settling Participant, is entitled to rely on any representation, warranty, covenant, release, waiver or agreement contained herein. Moreover, except for the purpose of enforcing the terms and conditions of this Agreement as between and among the Parties and the Settling Participants, nothing herein shall establish any facts or precedents as between the Parties, the Settling Participants, and any third parties

as to the resolution of any dispute. Each Party expressly denies any wrongdoing or culpability with respect to the claims against it released in this Agreement, or any other matter addressed in this Agreement, and does not, by execution of this Agreement, admit or concede any actual or potential fault, wrongdoing or liability in connection with any facts or claims that have been or could have been alleged against it with respect thereto. Neither this Agreement, nor any act performed or document executed pursuant to or in furtherance of this Agreement: (i) is or may be deemed to be, or may be used by a Settling Participant or an Enron Party as, an admission of, or evidence of, the validity of any released claim, or of any wrongdoing or liability of any of the Parties; (ii) is or may be deemed to be, or may be used by a Settling Participant or an Enron Party as, an admission of, or evidence of, any fault or omission of any of the Parties in any civil, criminal, regulatory or administrative proceeding in any court, administrative agency, regulatory authority, or other tribunal; or (iii) shall be offered in evidence or alleged in any pleading by any Settling Participant or any Enron Party, except to obtain the Required Approvals, or to enforce the terms of and obtain the benefits of this Agreement. In no event shall this Agreement, any of their provisions or any negotiations, statements or court proceedings relating to them or the Settlement in any way be construed as, offered as, received as, used as or deemed to be evidence of any kind in any action, or in any judicial, administrative, regulatory or other proceeding, except in a proceeding to enforce the terms or obtain the benefits of this Agreement or to obtain the Required Approvals.

- 13.5 **Costs.** Except as provided in this Agreement, each of the Parties and each Opt-In Participant shall pay its own costs and expenses, including attorneys' fees, incurred in connection with the disputes that are settled herein and the negotiation, preparation and implementation of this Agreement including costs and expenses incurred in preparing stipulations, making motions and seeking and obtaining the Required Approvals.
- 13.6 **Modifications.** This Agreement may be modified only if in writing and signed by each of the Parties affected by the proposed modification. No waiver of any provision of this Agreement or departure from any term of this Agreement shall be effective unless in writing and signed by the Settling Claimants with respect to any waiver requested by the Enron Parties and by the Enron Parties with respect to any waiver requested by the Settling Claimants. No modification will be effective unless any approval of the CPUC, FERC, or the Enron Bankruptcy Court that may be required with respect to such modification, if any, has been received.
- 13.7 **Assignments.** No Party shall, except as provided in Section 4.5, assign or transfer this Agreement or its rights or obligations hereunder without the prior written consent of the other affected Parties; provided, however, that (i) any Party may, without the consent of the other Parties (and without relieving itself from liability hereunder), transfer or assign this Agreement to any person or entity succeeding to all or substantially all of the assets of such Party, provided that the assignee agrees in writing to be bound by the terms and conditions hereof

(without limiting the foregoing, it is acknowledged that Enron may transfer or assign this Agreement without the consent of the other Parties (and without relieving itself from liability hereunder) to any entity or trust succeeding to all or any part of Enron's bankruptcy estate in connection with its administration, liquidation and/or wind-up under or pursuant to the Plan) and which assignee agrees in writing to be bound by the terms and conditions hereof.

- 13.8 **Joint and Several Liability.** Nothing in this Agreement shall be deemed to create any joint and several liability among the Settling Participants or among the Enron Parties.
- 13.9 **Consents; Acceptance.** Unless otherwise expressly provided herein, any consent, acceptance, satisfaction, cooperation, or approval required of a Party under this Agreement shall not be unreasonably withheld or delayed.
- 13.10 **Choice of Forum.** Nothing in this Agreement is intended to effect a choice of forum, as between the FERC and the Enron Bankruptcy Court, for the resolution of any dispute, if any, that may arise under this Agreement.

SIGNATURES

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their duly authorized officers or representatives. This Agreement may be executed in any number of counterparts, each of which, when executed, will be deemed to be an original and all of which taken together will be deemed to be one and the same instrument. This Agreement may be executed by signature via facsimile or .pdf (portable document format) transmission, which shall be deemed to be the same as an original signature.

[SIGNATURES APPEAR ON THE PAGES THAT FOLLOW]

ENRON SIGNATURE PAGE
TO
SETTLEMENT AND RELEASE OF CLAIMS AGREEMENT
BETWEEN
CALIFORNIA PARTIES, ADDITIONAL CLAIMANTS, OMOI, AND ENRON

ENRON CORP.

Original signed by
By: _____
Name: K. Wade Cline
Title: Managing Director and Assistant
General Counsel
Date: 8-23-05

ENRON NORTH AMERICA CORP.

Original signed by
By: _____
Name: L. Don Miller
Title: President and Chief Executive Officer
Date: Aug 15 23 2005

ENRON POWER MARKETING, INC.

Original signed by
By: _____
Name: L. Don Miller
Title: President and Chief Executive Officer
Date: Aug 15 23 2005

ENRON ENERGY MARKETING CORP

Original signed by
By: _____
Name: Scott Mills
Title: President and Chief Operating Officer
Date: 08.23.05

ABA

ENRON SIGNATURE PAGE
TO
SETTLEMENT AND RELEASE OF CLAIMS AGREEMENT
BETWEEN
CALIFORNIA PARTIES, ADDITIONAL CLAIMANTS, OMOI, AND ENRON

ENRON ENERGY SERVICES. INC.

Original signed by

By: _____
Name: Scott Mills
Title: President and Chief Operating Officer
Date: 08.23.05

ENA UPSTREAM COMPANY, LLC

1) By: Enron North America Corp., the Sole Member

Original signed by

By: _____
Name: L. Don Miller
Title: President and Chief Executive Officer
Date: August 23, 2005

ENRON CANADA CORP.

Original signed by

By: _____
Name: Craig Hiddleston
Title: President, Chief Executive Officer and
Managing Director
Date: 8-23-05

ENRON COMPRESSION SERVICES COMPANY

Original signed by

By: _____
Name: L. Don Miller
Title: President
Date: August 23, 2005

ARR

ENRON SIGNATURE PAGE
TO
SETTLEMENT AND RELEASE OF CLAIMS AGREEMENT
BETWEEN
CALIFORNIA PARTIES, ADDITIONAL CLAIMANTS, OMOL, AND ENRON

ENRON MW, L.L.C.

2) By: Enron North America Corp., the Sole Member

Original signed by

By: _____
Name: L. Don Miller
Title: President and Chief Executive Officer
Date: August 23, 2005

ENRON ENERGY SERVICES NORTH AMERICA, INC.

Original signed by

By: _____
Name: Scott Mills
Title: President and Chief Operating Officer
Date: 08.23.05

ENRON CAPITAL & TRADE RESOURCES INTERNATIONAL CORP.

Original signed by

By: _____
Name: L. Don Miller
Title: President and Chief Executive Officer
Date: August 23, 2005

ABA

ENRON SIGNATURE PAGE
TO
SETTLEMENT AND RELEASE OF CLAIMS AGREEMENT
BETWEEN
CALIFORNIA PARTIES, ADDITIONAL CLAIMANTS, OMOI, AND ENRON

ENRON ENERGY SERVICES, L.L.C.

By: Enron Corp., 98.16% interest Member

By: Original signed by
Name: K. Wade Cline
Title: Managing Director and Assistant
General Counsel
Date: 8-23-05

By: Enron Capital Management II Limited
Partnership, 0.04% interest Member

By: Enron Capital II Corp., its General Partner

By: Original signed by
Name: K. Wade Cline
Title: President
Date: 8-23-05

By: Enron Capital Management III Limited
Partnership, 1.8% interest Member

By: Enron Capital IV Corp., its General Partner

By: Original signed by
Name: K. Wade Cline
Title: President
Date: 8-23-05

ABA

ENRON SIGNATURE PAGE
TO
SETTLEMENT AND RELEASE OF CLAIMS AGREEMENT
BETWEEN
CALIFORNIA PARTIES, ADDITIONAL CLAIMANTS, OMOI, AND ENRON

ENRON ENERGY SERVICES OPERATIONS, INC.

By: Original signed by
Name: Scott Mills
Title: President and Chief Operating Officer
Date: 08.23.05

ENRON NATURAL GAS MARKETING CORP.

By: Original signed by
Name: L. Don Miller
Title: President and Chief Executive Officer
Date: August 23, 2005

ABA

ENRON UNSECURED CREDITORS' COMMITTEE SIGNATURE PAGE
TO
SETTLEMENT AND RELEASE OF CLAIMS AGREEMENT
BETWEEN
CALIFORNIA PARTIES, ADDITIONAL CLAIMANTS, OMOI, AND ENRON

OFFICIAL UNSECURED CREDITORS COMMITTEE (IN RE: ENRON)
(Solely for the purposes of Sections 8.7 and 8.10)

Original signed by

By: _____
Name: Jillie Becker
Title: Wells Fargo Bank, Chair of Committee
Date: 8-23-05

PG&E SIGNATURE PAGE
TO
SETTLEMENT AND RELEASE OF CLAIMS AGREEMENT
BETWEEN
CALIFORNIA PARTIES, ADDITIONAL CLAIMANTS, OMOI, AND ENRON

PACIFIC GAS AND ELECTRIC COMPANY

By: Original signed by

Name: Roger J. Peters

Title: Senior Vice President & General Counsel

Date: 8-23-05

SDG&E SIGNATURE PAGE
TO
SETTLEMENT AND RELEASE OF CLAIMS AGREEMENT
BETWEEN
CALIFORNIA PARTIES, ADDITIONAL CLAIMANTS, OMOI, AND ENRON

SAN DIEGO GAS & ELECTRIC COMPANY

By: Original signed by
Name: William L. Reed
Title: Senior Vice President, Regulatory and Strategic Planning
Date: August 24, 2005

SCE SIGNATURE PAGE
TO
SETTLEMENT AND RELEASE OF CLAIMS AGREEMENT
BETWEEN
CALIFORNIA PARTIES, ADDITIONAL CLAIMANTS, OMOI, AND ENRON

SOUTHERN CALIFORNIA EDISON COMPANY

Original signed by

By: [Signature]

Name: Stephen E. Pickett

Title: Sr. Vice President & General Counsel

Date: August 24, 2005

CPUC SIGNATURE PAGE
TO
SETTLEMENT AND RELEASE OF CLAIMS AGREEMENT
BETWEEN
CALIFORNIA PARTIES, ADDITIONAL CLAIMANTS, OMOI, AND ENRON

CALIFORNIA PUBLIC UTILITIES COMMISSION

By: _____ Original signed by _____
Name: _____ Randolph J. Wu _____
Title: _____ General Counsel _____
Date: _____ August 24, 2002 _____

CALIFORNIA ATTORNEY GENERAL SIGNATURE PAGE
TO
SETTLEMENT AND RELEASE OF CLAIMS AGREEMENT
BETWEEN
CALIFORNIA PARTIES, ADDITIONAL CLAIMANTS, OMOI, AND ENRON

PEOPLE OF THE STATE OF CALIFORNIA, *EX REL.* BILL LOCKYER

Original signed by
By: _____
Name: Ken Alex
Title: SDAG
Date: 8/23/05

**CERS SIGNATURE PAGE
TO
SETTLEMENT AND RELEASE OF CLAIMS AGREEMENT
BETWEEN
CALIFORNIA PARTIES, ADDITIONAL CLAIMANTS, OMOI, AND ENRON**

**CALIFORNIA DEPARTMENT OF WATER RESOURCES ACTING
SOLELY UNDER AUTHORITY AND POWERS CREATED BY . . .
CALIFORNIA ASSEMBLY BILL 1 FROM THE FIRST
EXTRAORDINARY SESSION OF 2000-2001, CODIFIED IN SECTIONS
80000 THROUGH 80270 OF THE CALIFORNIA WATER CODE**


Original signed by

By: _____
Name: Peter S. Garris
Title: Deputy Director
Date: 8/23/05

CEOB SIGNATURE PAGE
TO
SETTLEMENT AND RELEASE OF CLAIMS AGREEMENT
BETWEEN
CALIFORNIA PARTIES, ADDITIONAL CLAIMANTS, OMOI, AND ENRON

CALIFORNIA ELECTRICITY OVERSIGHT BOARD

Original signed by

By: 
Name: Erik N. Saltmarsh
Title: Chief Counsel
Date: August 23, 2005

OREGON ATTORNEY GENERAL SIGNATURE PAGE
TO
SETTLEMENT AND RELEASE OF CLAIMS AGREEMENT
BETWEEN
CALIFORNIA PARTIES, ADDITIONAL CLAIMANTS, OMOI, AND ENRON

ATTORNEY GENERAL OF THE STATE OF OREGON

Original signed by

By: [Signature]

Name: HARDY MYERS

Title: ATTORNEY GENERAL OF OREGON

Date: 8/23/05

ATTORNEY GENERAL OF THE STATE OF WASHINGTON

By: 8/ _____

Title: Assistant Attorney General

Date: 8/23/05

OMOI SIGNATURE PAGE
TO
SETTLEMENT AND RELEASE OF CLAIMS AGREEMENT
BETWEEN
CALIFORNIA PARTIES, ADDITIONAL CLAIMANTS, OMOI, AND ENRON

THE FEDERAL ENERGY REGULATORY COMMISSION OFFICE OF
MARKET OVERSIGHT AND INVESTIGATIONS

Original signed by

By: [Signature]

Name: William F. Hederman

Title: Director, Office of Market Oversight and Investigations

Date: August 23, 2005

TABLE OF EXHIBITS

Exhibit A	FERC Refund Proceeding Allocation Matrix
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EXHIBIT A
SETTLEMENT AND RELEASE OF CLAIMS AGREEMENT
BETWEEN CALIFORNIA PARTIES, ADDITIONAL CLAIMANTS, OMOI, AND ENRON

FERC REFUND PROCEEDING ALLOCATION MATRIX

Exhibit A - FERC Refund Proceeding Allocation Matrix

Effective on distribution date

Entity Name	REFUND Period Oct 2, 2000 - Jan 17, 2001				Pre-October Period May 1, 2000 - Oct 1, 2000 *				TOTAL	
	Cash	Cash Equivalent	Total Allocation	%	Cash	Cash Equivalent	Total Allocation	%	Cash	Cash Equivalent
1. Pacific Gas and Electric Company	\$ 50,204	\$ 12,037,147	\$ 12,087,351	50.20%	\$ -	\$ 9,467,793	\$ 9,467,793	37.07%	\$ -	\$ 21,504,800
2. Southern California Edison Company	\$ 25,225	\$ 5,214,941	\$ 5,240,166	25.22%	\$ -	\$ 8,057,776	\$ 8,057,776	34.03%	\$ -	\$ 13,292,720
3. San Diego Gas & Electric	\$ 11,715	\$ 2,421,520	\$ 2,433,235	11.71%	\$ -	\$ 1,660,689	\$ 1,660,689	8.45%	\$ -	\$ 4,092,165
4. COTP / COTB	\$ 80,000	\$ -	\$ 80,000	0.39%	\$ 1,051,110	\$ -	\$ 1,051,110	4.35%	\$ 1,131,110	\$ -
5. Bull River Project	\$ 355,421	\$ -	\$ 355,421	1.66%	\$ 468,644	\$ -	\$ 468,644	1.89%	\$ 824,065	\$ -
6. California Department of Water Resources (SWP)	\$ -	\$ -	\$ -	0.00%	\$ 853,543	\$ -	\$ 853,543	3.41%	\$ 853,543	\$ -
7. Enron Power Marketing, Inc. (1)	\$ -	\$ -	\$ -	0.00%	\$ 771,075	\$ -	\$ 771,075	3.08%	\$ 771,075	\$ -
8. New Energy Inc.	\$ 40,207	\$ -	\$ 40,207	0.23%	\$ 410,485	\$ -	\$ 410,485	1.64%	\$ 450,692	\$ -
9. Australand Power Exchange	\$ 60,015	\$ -	\$ 60,015	0.33%	\$ 199,879	\$ -	\$ 199,879	0.80%	\$ 259,894	\$ -
10. Arizona Public Service Company	\$ 110,000	\$ -	\$ 110,000	0.56%	\$ 124,347	\$ -	\$ 124,347	0.50%	\$ 234,347	\$ -
11. City of Anaheim	\$ -	\$ -	\$ -	0.00%	\$ 231,370	\$ -	\$ 231,370	0.93%	\$ 231,370	\$ -
12. City of Riverside	\$ 7,977	\$ -	\$ 7,977	0.04%	\$ 215,717	\$ -	\$ 215,717	0.86%	\$ 223,694	\$ -
13. Aquila Power Corporation	\$ 157,604	\$ -	\$ 157,604	0.70%	\$ -	\$ -	\$ -	0.00%	\$ 157,604	\$ -
14. British Columbia Power Exchange Corporation	\$ -	\$ -	\$ -	0.00%	\$ -	\$ -	\$ -	0.00%	\$ -	\$ -
15. City of Vernon	\$ -	\$ -	\$ -	0.00%	\$ 127,710	\$ -	\$ 127,710	0.51%	\$ 127,710	\$ -
16. City of Pasadena	\$ -	\$ -	\$ -	0.00%	\$ 124,220	\$ -	\$ 124,220	0.50%	\$ 124,220	\$ -
17. Western Area Power Administration (WAPA) (WAPA)	\$ -	\$ -	\$ -	0.00%	\$ 108,713	\$ -	\$ 108,713	0.43%	\$ 108,713	\$ -
18. Pacific Gas and Electric Energy Services Company	\$ -	\$ -	\$ -	0.00%	\$ 99,078	\$ -	\$ 99,078	0.40%	\$ 99,078	\$ -
19. American Electric Power Services Corporation	\$ -	\$ -	\$ -	0.00%	\$ 62,202	\$ -	\$ 62,202	0.25%	\$ 62,202	\$ -
20. California Power Broker LLC	\$ 60,030	\$ -	\$ 60,030	0.29%	\$ -	\$ -	\$ -	0.00%	\$ 60,030	\$ -
21. Sacramento Municipal Utility District	\$ 39,916	\$ -	\$ 39,916	0.19%	\$ -	\$ -	\$ -	0.00%	\$ 39,916	\$ -
22. Dynegy Power Marketing Inc.	\$ -	\$ -	\$ -	0.00%	\$ 48,234	\$ -	\$ 48,234	0.20%	\$ 48,234	\$ -
23. Enron Energy Trading Corporation	\$ -	\$ -	\$ -	0.00%	\$ 37,533	\$ -	\$ 37,533	0.15%	\$ 37,533	\$ -
24. Northern California Power Agency	\$ -	\$ -	\$ -	0.00%	\$ 36,818	\$ -	\$ 36,818	0.15%	\$ 36,818	\$ -
25. Illinois Energy Partners, Inc.	\$ 21,229	\$ -	\$ 21,229	0.10%	\$ 32,766	\$ -	\$ 32,766	0.13%	\$ 54,595	\$ -
26. City of Azusa	\$ 555	\$ -	\$ 555	0.00%	\$ 9,321	\$ -	\$ 9,321	0.04%	\$ 9,876	\$ -
27. Coral Power, LLC	\$ -	\$ -	\$ -	0.00%	\$ 27,681	\$ -	\$ 27,681	0.11%	\$ 28,237	\$ -
28. Pacific Corp.	\$ -	\$ -	\$ -	0.00%	\$ 22,584	\$ -	\$ 22,584	0.09%	\$ 22,584	\$ -
29. City of Bannock	\$ 2,149	\$ -	\$ 2,149	0.01%	\$ 22,243	\$ -	\$ 22,243	0.09%	\$ 24,392	\$ -
30. Strategic Energy, LLC	\$ -	\$ -	\$ -	0.00%	\$ 15,702	\$ -	\$ 15,702	0.06%	\$ 15,702	\$ -
31. Iusano Power Company	\$ -	\$ -	\$ -	0.00%	\$ 981	\$ -	\$ 981	0.00%	\$ 981	\$ -
32. City of San Jose, City Light Department	\$ -	\$ -	\$ -	0.00%	\$ 12,650	\$ -	\$ 12,650	0.05%	\$ 12,650	\$ -
33. MDAS INTELLIGENT	\$ -	\$ -	\$ -	0.00%	\$ 10,853	\$ -	\$ 10,853	0.04%	\$ 10,853	\$ -
34. Louisville Gas and Electric Company	\$ 3,076	\$ -	\$ 3,076	0.02%	\$ -	\$ -	\$ -	0.00%	\$ 3,076	\$ -
35. Reliant Energy Services, Inc.	\$ -	\$ -	\$ -	0.00%	\$ 812	\$ -	\$ 812	0.00%	\$ 812	\$ -
36. Williams Energy Marketing and Trading	\$ -	\$ -	\$ -	0.00%	\$ 547	\$ -	\$ 547	0.00%	\$ 547	\$ -
37. LESS: Enron Power Marketing, Inc. allocation 1	\$ -	\$ -	\$ -	0.00%	\$ 265	\$ -	\$ 265	0.00%	\$ -	\$ -
38. Net Total Allocated Refund	\$ 1,007,788	\$ 19,973,810	\$ 20,981,598	100.00%	\$ 4,442,727	\$ 19,706,108	\$ 24,148,835	100.00%	\$ 5,450,516	\$ 44,510,244

Notes:

- Enron's share of \$771,075 is moved to California Parties account and not included in Net Total Allocated Refund (line 48).
- Enron's share of \$771,075 is moved to California Parties account and not included in Net Total Allocated Refund (line 48).
- Allocation of Enron ISO collateral (approx. \$22.4 million cash) related to Enron pre-reported bond is allocated on Exhibit B.
- Additional relief of \$19.5 million cash will be allocated to California Parties and is not reflected in this matrix.
- *Oct. 2, 2000 - Jan 17, 2001* Refund Period amounts include CalPX DAWDO Refunds through January 31, 2001.
- A participant who owes to the market refunds or payables according to Exhibits ISO-30 and CPX-51 in the EL00-95 (phase II) proceeding shall receive a deemed distribution by offset of the payables or refunds it is determined to owe to the ISO and/or PX.
- SCE and SDG&E shares in the refund period (October 2, 2000 to January 17, 2001) receive the adjustment for SDG&E's 20% ownership of SDI/IS (2.35% increase in SCE's share and 2.35% decrease in SDG&E's share) through the Cal Parties Refund Escrow Instructions. This results in an adjustment of \$466,013 by which SCE's share is increased to \$44,350,733 and SDG&E's share is decreased to \$3,996,176 at CalPX 5.
- Allocation percentages rounded to four decimal (for display purposes only).

EXHIBIT B
SETTLEMENT AND RELEASE OF CLAIMS AGREEMENT
BETWEEN CALIFORNIA PARTIES, ADDITIONAL CLAIMANTS, OMOI, AND ENRON

METERING ERROR ALLOCATION MATRIX

Exhibit B - Metering Error Allocation Matrix

December 2, 2001 to December 23, 2002					
				Mis-reported Load	
				Post-Petition	
				Cash	
Line No.	ISO BAID	ISO Entity	Allocation (%)	\$	22,373,160
1	3932	PG&E - PCGB	33.6447%	\$	7,527,378
2	3931	PG&E - PGAB	4.3135%	\$	965,056
3	1014	SCE - SCE1	36.8863%	\$	8,234,736
4	3511	SDG&E	11.3861%	\$	2,542,863
5	1007	SDG&E - SDGE	0.9821%	\$	219,729
6	3652	CERS	0.1437%	\$	32,156
7	1012	Salt River Project	0.0906%	\$	20,275
8	2149	Aquila Power Corporation	0.0004%	\$	80
9	1011	Arizona Public Service	0.7115%	\$	159,166
10	3011	New Energy	1.0637%	\$	237,977
11	1020	APX - APX1	2.0572%	\$	460,252
12	3751	APX - APX3	0.2837%	\$	63,463
13	3982	APX - APX4	0.1046%	\$	23,410
14	4774	APX - APX6	0.0042%	\$	951
15	4239	APX - APX5	0.0006%	\$	123
16	2408	American Electric Power Services Corp	0.0381%	\$	8,747
17	1788	City of Anaheim	0.0644%	\$	14,460
18	1107	City of Riverside	0.1830%	\$	40,940
19	1680	City of Pasadena	0.0282%	\$	6,342
20	2850	Strategic Energy	2.2337%	\$	499,761
21	1022	Sempra Energy Trading Corp	0.0233%	\$	5,216
22	3112	EO Power Exchange - PowerX	0.0094%	\$	19,691
23	4703	British Columbia Power Exchange	0.0373%	\$	8,350
24	1869	City of Banning	0.0714%	\$	15,982
25	1868	City of Azusa	0.1243%	\$	27,911
26	3952	WAPA - Redding	0.0078%	\$	1,773
27	4573	Transalta Energy Marketing (US) Inc.	0.0189%	\$	4,224
28	1068	Reliant Energy Services	0.0178%	\$	4,005
29	3231	Public Service Co of Colorado	0.0261%	\$	5,829
30	3572	Calpine Energy Services	0.1180%	\$	26,307
31	1107	Williams Energy Services	0.0380%	\$	8,503
32	3911	Viasyn	0.0220%	\$	4,914
33	1010	NCPA	0.0222%	\$	4,960
34	1806	PacificCorp	0.1973%	\$	44,142
35	2770	Const Power	0.5985%	\$	133,927
36	1088	City of Vernon	0.0286%	\$	6,403
37	1024	Dynegy Power Marketing	0.0590%	\$	13,210
38	1127	WAPA	0.0521%	\$	11,656
39	1088	COWR	3.2767%	\$	733,106
40	4237	WAPA - WDOE	0.3325%	\$	74,365
41	4113	IdaCorp Energy LP	0.1586%	\$	35,666
42	4513	El Paso Merchant Energy - ELPE	0.0964%	\$	21,558
43	2830	PG&E Energy Trading Power	0.0547%	\$	12,184
44	4654	Mirant	0.0924%	\$	20,681
45	1821	Duke Energy Trading & Marketing	0.0814%	\$	18,216
46	4032	PG&E Energy Trading Power	0.0689%	\$	15,336
47	3211	Cargill Alliant	0.0456%	\$	10,186
48	4256	El Paso Merchant Energy, LP	0.0400%	\$	8,945
49	3333	Sierra Pacific Power Co	0.0130%	\$	2,913
50	1026	Mirant	0.0128%	\$	2,875
51	1628	City of Glendale	0.0101%	\$	2,259
52	1048	Avisia Energy Inc	0.0088%	\$	1,970
53	1308	Madera Irrigation District	0.0013%	\$	293
54	1018	Portland General Electric	0.0005%	\$	4
55	1853	RWE Trading Americas Inc	0.0005%	\$	4
56	4073	TXU Energy Trading	0.0000%	\$	1
57	1169	LADWP	0.0000%	\$	0
58	TOTALS:		100.0000%	\$	22,373,160

Notes:

- 1 Post-petition cash amount is the ISO Collateral identified in Sec. 4.1.6
- 2 Post-petition cash amount of \$22,373,160 includes interest.
- 3 Post-petition cash amount is subject to final adjustment or verification by CAISO.
- 4 Post-petition period (December 2, 2001 to December 23, 2002)
- 5 Allocations among PG&E, SCE, SDG&E, and CERS will be revised in a separate agreement among the California Parties to reflect the role of CERS during this period

EXHIBIT C

SETTLEMENT AND RELEASE OF CLAIMS AGREEMENT
BETWEEN CALIFORNIA PARTIES, ADDITIONAL CLAIMANTS, OMOI, AND ENRON

DEEMED DISTRIBUTION PARTICIPANTS

Automated Power Exchange, Inc.
British Columbia Power Exchange Corporation
City of Pasadena, California
Constellation Power Source, Inc.
El Paso Power Services Company
Idaho Power Company
PECO Energy Company
Puget Sound Energy, Inc.
Sempra Energy Trading Corporation
Transalta Energy Marketing Inc.
Western Area Power Administration - Redding

EXHIBIT D

SETTLEMENT AND RELEASE OF CLAIMS AGREEMENT
BETWEEN CALIFORNIA PARTIES, ADDITIONAL CLAIMANTS, OMOI, AND ENRON

PROOFS OF CLAIM

RELEASED BANKRUPTCY CLAIMS

Any and all claims of any of the Settling Claimants by, through, and under the two California Independent System Operator Corp. ("ISO") Proofs of Claim Nos. 24910 and 24911.

Any and all claims of any of the Settling Claimants by, through and under the California Power Exchange Corporation ("PX") Proof of Claim No. 9112.

POC Number	Enron Entity	Counterparty Entity	POC Amount (as filed)
25168	ENE	PG&E	\$3,322,772,740.00
25169	ENE	PG&E	\$10,000,000.00
25170	ENE	PG&E	\$95,243,974.00
25171	ENGMC	PG&E	\$3,322,772,740.00
25172	ECTRIC	PG&E	\$3,322,772,740.00
25173	EPMI	PG&E	\$3,322,772,740.00
25174	EPMI	PG&E	\$95,243,974.00
25175	ENA	PG&E	\$3,322,772,740.00
22698	EEMC	PG&E	UNLIQUIDATED
22699	EESI	PG&E	UNLIQUIDATED
22700	EPMI	PG&E	UNLIQUIDATED
25209	EPMI	PG&E	\$3,804,536.91
25210	EESI	PG&E	\$3,804,536.91
25211	EEMC	PG&E	\$3,804,536.91
22630	EEMC	SCE	UNLIQUIDATED

22631	EESI	SCE	UNLIQUIDATED
22632	EPMI	SCE	UNLIQUIDATED
22633	ENE	SCE	UNLIQUIDATED
Docket 23006 (Adm. Expense Claim filed 1- 14-05)	EPMI /EESI / EEMC	SCE	UNLIQUIDATED
12498	ENA	CDWR/CERS	UNLIQUIDATED
12500	ENE	CDWR/CERS	UNLIQUIDATED
24685	EPMI	CDWR/CERS	UNLIQUIDATED
24686	EEMC	CDWR/CERS	UNLIQUIDATED
24687	EESI	CDWR/CERS	UNLIQUIDATED
Docket 23009 (Adm. Expense Claim filed 1- 14-05)	EPMI/EESI/EEMC	CDWR/CERS	UNLIQUIDATED
12172	ENA	State of California/California Attorney General	UNLIQUIDATED
12173	ENE	State of California/California Attorney General	UNLIQUIDATED
12174	EPMI	State of California/California Attorney General	UNLIQUIDATED
12252	EESNA	State of California/California Attorney General	UNLIQUIDATED
12253	ECTRIC	State of California/California Attorney General	UNLIQUIDATED
12254	EES	State of California/California Attorney General	UNLIQUIDATED
12255	EESI	State of California/California Attorney General	UNLIQUIDATED

12256	EEMC	State of California/California Attorney General	UNLIQUIDATED
12257	EESO	State of California/California Attorney General	UNLIQUIDATED
12949	ENE	State of Oregon/Oregon Attorney General	UNLIQUIDATED
24387	ENE	State of Oregon/Oregon Attorney General	\$336,500,000.00
18502	ENE	State of Washington	UNLIQUIDATED
24390	ENE	State of Washington	\$245,000,000.00
24547	ENE	State of Washington	\$245,000,000.00

12564 (Superseded by 25128 and 25171)	ENGMC	PG&E	UNLIQUIDATED
12572 (Superseded by 25125 and 25172)	ECTRIC	PG&E	UNLIQUIDATED
12576 (Superseded by 25126 and 25168)	ENE	PG&E	UNLIQUIDATED
12937 (Superseded by 25123, 25134 and 25174)	EPMI	PG&E	\$62,494,044.26
12938 (Superseded by 25131, 25133 and 25169)	ENE	PG&E	\$45,000,000.00
12948 (Superseded by 25129 and 25175)	ENA	PG&E	UNLIQUIDATED
13361 (Superseded by 25124 and 25173)	EPMI	PG&E	UNLIQUIDATED
25123 (Superseded by 25134 and 25174)	EPMI	PG&E	\$10,976,460.00
25124 (Superseded by	EPMI	PG&E	\$3,238,505,226.00

25173)			
25125 (Superseded by 25172)	ECTRIC	PG&E	\$3,238,505,226.00
25126 (Superseded by 25168)	ENE	PG&E	\$3,238,505,226.00
25127 (Superseded by 25170)	ENE	PG&E	\$10,976,460.00
25128 (Superseded by 25171)	ENGMC	PG&E	\$3,238,505,226.00
25129 (Superseded by 25175)	ENA	PG&E	\$3,238,505,226.00
25131 (Superseded by 25133 and 25169)	ENE	PG&E	\$10,000,000.00
25133 (Superseded by 25169)	ENE	PG&E	\$10,000,000.00
25134 (Superseded by 25174)	EPMI	PG&E	\$10,976,460.00

Scheduled Liabilities

100164170 (matched to claim 22700 described above)	ENA	PG&E	\$66,183.78
100164180 (matched to claim 22700 described above)	ENA	PG&E	\$931,807.20

EXHIBIT E

SETTLEMENT AND RELEASE OF CLAIMS AGREEMENT
BETWEEN CALIFORNIA PARTIES, ADDITIONAL CLAIMANTS, OMOI, AND ENRON

STAYED FEDERAL ENERGY REGULATORY COMMISSION PROCEEDINGS

Enron Power Marketing, Inc. and Enron Energy Services Inc.,
Docket No. EL03-180-000.

Enron Power Marketing, Inc. and Enron Energy Services Inc.,
Docket No. EL03-154-000.

Portland General Electric Company,
Docket No. EL02-114-007.

Enron Power Marketing, Inc.,
Docket No. EL02-115-008.

El Paso Electric Company, Enron Power Marketing, Inc., and Enron Capital and Trade
Resources Corporation,
Docket No. EL02-113-000.

(All of which are consolidated)

STAYED BANKRUPTCY PROCEEDINGS

PG&E - All proceedings relating to the Debtors' Objection to Proofs of Claim Nos. 25168, 25169, 25170, 25171, 25172, 25173, 25174, 25175, 22698, 22699, 22700, 25209, 25210, and 25211 filed by Pacific Gas & Electric Company, pending before Judge Gonzalez in *In re Enron Corp.*, Case No. 01-16034 (Bankr. S.D.N.Y.).

District Court Proceeding - *Enron Power Marketing, Inc., v. California Power Exchange Corp., Pacific Gas & Electric Co., and Southern California Edison Co.*, No. 04 Civ. 8177 (RCC) (S.D.N.Y.).

SCE - All proceedings relating to the Debtors' Objection to Proofs of Claim Nos. 22630, 22631, 22632, and 22633 filed by Southern California Edison Company, pending before Judge Gonzalez in *In re Enron Corp.*, Case No. 01-16034 (Bankr. S.D.N.Y.).

All proceedings relating to Debtors' Objection to Administrative Expense Claim of Southern California Edison Company, pending before Judge Gonzalez in *In re Enron Corp.*, Case No. 01-16034 (Bankr. S.D.N.Y.).

CERS-CDWR- All proceedings relating to the Debtors' Objection to Proofs of Claim Nos. 12498, 12500, 24685, 24686, and 24687 filed by CERS and the California Department of Water, pending before Judge Gonzalez in *In re Enron Corp.*, Case No. 01-16034 (Bankr. S.D.N.Y.).

All proceedings relating to Debtors' Objection to Administrative Expense Claim of CERS-CDWR, pending before Judge Gonzalez in *In re Enron Corp.*, Case No. 01-16034 (Bankr. S.D.N.Y.) (Docket No. 23009).

California - All proceedings relating to the Debtors' Objection to Proofs of Claim Nos. 12172, 12173, 12174, 12252, 12253, 12254, 12255, 12256, and 12257 filed by Bill Lockyer, Attorney General for the State of California, pending before Judge Gonzalez in *In re Enron Corp.*, Case No. 01-16034 (Bankr. S.D.N.Y.).

All proceedings related to *Enron Corp., et al. v. People of the State of California, ex rel. Bill Lockyer, Attorney General of the State of California*, U.S. Bankruptcy Ct., S.D.N.Y., Case No. 01-16034 (AJG); adversary proceeding no. 04-03386, including all proceedings related to the Complaint in Intervention filed by the Official Creditors' Committee.

District Court Proceeding- all proceedings related to the appeal in the matter *People of the State of California ex rel. Bill Lockyer, Attorney General of the State of California v. Enron Corp., et al.*, U.S. Dist. Ct., S.D.N.Y., Case No. 04-Civ. 10262 (MBM).

Oregon - All proceedings relating to the Debtors' Objection to Proofs of Claim Nos. 12949, 24387 filed by Oregon Department of Justice, pending before Judge Gonzalez in *In re Enron Corp.*, Case No. 01-16034 (Bankr. S.D.N.Y.).

Washington - All proceedings relating to the Debtors' Objection to Proofs of Claim Nos. 18502, 24390, and 24547 filed by the Washington Attorney General, pending before Judge Gonzalez in *In re Enron Corp.*, Case No. 01-16034 (Bankr. S.D.N.Y.).

EXHIBIT F
SETTLEMENT AND RELEASE OF CLAIMS AGREEMENT
BETWEEN CALIFORNIA PARTIES, ADDITIONAL CLAIMANTS, OMOI, AND ENRON

FORM OF NOTICE OF ELECTION TO PARTICIPATE IN SETTLEMENT

[CAPTION]

**NOTICE OF ELECTION
TO PARTICIPATE IN
SETTLEMENT**

Pursuant to Section 9.1 of the Settlement and Release of Claims Agreement (the "Agreement") dated August 18, 2005 by and among the Enron Parties, OMOI, the California Parties, and the Additional Claimants¹, _____ hereby gives notice that it elects to become an Opt-In Participant. _____ states that it is a Market Participant and acknowledges that, by such election, it will have the applicable rights and obligations under the Agreement as an Opt-In Participant, but shall not be a Party or a Settling Claimant.

Electronic copies of this notice are being served on each person designated on (i) the ListServ established for FERC Docket Nos. EL00-95-000 and EL00-98-000 and (ii) the ListServ established for FERC Docket Nos. EL03-180-000, EL03-154-000, EL02-113-000, EL02-114-007, and EL02-115-008.

Respectfully submitted,

¹ Capitalized terms in this notice have the meaning provided in the Agreement.